

MIAMI COMMUNITY CHARTER SCHOOL, INC.

FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Management's Discussion and Analysis.....	1-4
Independent Auditors' Report.....	5
Statement of Net Assets.....	6
Government-Wide Statement of Activities.....	7
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	8
Balance Sheet – Governmental Funds	9
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	10
Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Funds to the Statement of Activities	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	12
Notes to Financial Statements	13-17
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	18
Management Letter.....	19-20
Appendix A.....	21

MIAMI COMMUNITY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Miami Community Charter School, Inc. ("School") is a public charter school operating in Florida City, FL, under the sponsorship of the School Board of Miami-Dade County, Florida.

Within this section of the School's annual financial report, the School's management provides narrative discussion and analysis of the financial activities of the School for the fiscal year ended June 30, 2005. This discussion is provided within the context of the accompanying financial statements. The discussion includes the entire School operations. There are no proprietary funds, no fiduciary funds and no component units.

Overview of the Financial Statements

The Management's Discussion and Analysis introduces the School's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The School also includes in this report additional information to supplement the basic financial statements.

Government-Wide Financial Statements

The School's annual report includes two government wide financial statements. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting. This includes financial statements prepared on a full accrual accounting, and notes to the financial statements.

The first financial statement is the *Statement of Net Assets* that includes all of the School's assets and liabilities, with the difference reported as net assets.

The second financial statement is the *Statement of Activities* that includes all current year revenue and expenses. It explains how the School's net assets changed during the fiscal year.

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements.

Both government-wide financial statements distinguish governmental activities of the School that are principally supported by intergovernmental revenues, such as grants.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds.

Governmental Fund

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is very different with fund statements providing a distinctive view of the School's government funds. These are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near term.

MIAMI COMMUNITY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Financial Analysis of the School

The School's net assets decreased from (\$4,302) to (\$9,454) in 2005.

All of the School's revenue is received through the sponsor and generally was provided by the State of Florida. The revenue per student each year is determined by the State of Florida and paid to the School based upon the student counts on certain dates in October and February of the fiscal year.

FEFP and other revenue from School Board of Miami-Dade County, Florida were based upon the number of students in the current fiscal year.

The summary of the School government-wide statement of net assets is as follows:

Condensed Statement of Net Assets

Governmental Activities

June 30, 2005

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Current and Other Assets	\$ 55,040	\$ 10,698	\$ 44,342
Capital Assets	<u>785</u>	<u>-</u>	<u>785</u>
Total Assets	55,825	10,698	45,127
Current Liabilities	65,279	-	65,279
Loan Payable	<u>-</u>	<u>15,000</u>	<u>(15,000)</u>
Total Liabilities	<u>65,279</u>	<u>15,000</u>	<u>50,279</u>
Net Assets	<u>\$ (9,454)</u>	<u>\$ (4,302)</u>	<u>\$ (5,152)</u>
Invested in Capital Assets	\$ 785	\$ -	\$ 785
Unrestricted	<u>(10,239)</u>	<u>(4,302)</u>	<u>(5,937)</u>
	<u>\$ (9,454)</u>	<u>\$ (4,302)</u>	<u>\$ (5,152)</u>

MIAMI COMMUNITY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

Condensed Statement of Activities
For the years 2005 and 2004

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Program Revenue:			
Charge for services	\$ 2,247	\$ -	\$ 2,247
General Revenue:			
FEEP fees	727,204	-	727,204
Operating grants and contributions	239,862	10,138	229,724
Contribution not restricted	18,324	-	18,324
Other	<u>3,754</u>	<u>-</u>	<u>3,754</u>
Total Revenue	<u>991,391</u>	<u>10,138</u>	<u>981,253</u>
Functions/Program Expenses:			
Instructional Services	427,631	-	427,631
Instructional Support services	16,482	-	16,482
Pupil transportation services	28,420	-	28,420
Food services	42,938	-	42,938
School administration	278,932	-	278,932
Facilities acquisition and construction	113,211	14,440	98,771
Fiscal services	37,393	-	37,393
Operation and maintenance services	<u>51,536</u>	<u>-</u>	<u>51,536</u>
Total expense	<u>996,543</u>	<u>14,440</u>	<u>982,103</u>
Change in net assets	(5,152)	(4,302)	(850)
Net assets (deficit) - Beginning	<u>(4,302)</u>	<u>-</u>	<u>(4,302)</u>
Net assets (deficit) - Ending	<u>\$ (9,454)</u>	<u>\$ (4,302)</u>	<u>\$ (5,152)</u>

Proprietary Funds

Proprietary funds are reported in the fund financial statements and generally report services for which the School charges a fee. For fiscal year ended June 30, 2005, the School did not have any proprietary funds.

FINANCIAL ANALYSIS OF THE MAJOR FUNDS

GOVERNMENTAL FUNDS

GENERAL FUND

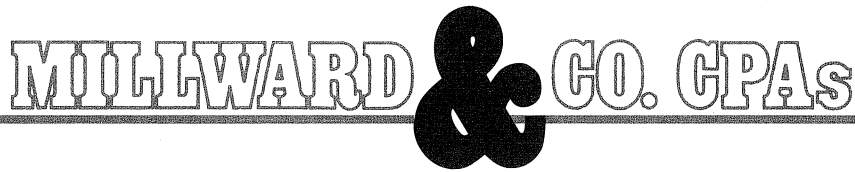
The general fund is the operating fund. It recognized \$991,391 in total revenues offset with \$997,328 of expenditures. This resulted in an excess of expenditures over revenues. Fund deficit at the beginning of the year was (\$4,302) and when combined with the current year resulted in an end of year fund deficit of (\$10,239).

MIAMI COMMUNITY CHARTER SCHOOL, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2005

CAPITAL ASSETS

As of June 30, 2005, the School had \$785 invested in capital assets, as reflected in below:

	<u>2005</u>	<u>2004</u>	<u>Change</u>
Office equipment and fixtures	\$ <u>981</u>	\$ <u>-</u>	\$ <u>981</u>
Less: Accumulated depreciation	<u>(196)</u>	<u>-</u>	<u>(196)</u>
Net	\$ <u><u>785</u></u>	\$ <u><u>-</u></u>	\$ <u><u>785</u></u>



The Board of Trustees
Miami Community Charter School, Inc.
Florida City, Florida

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying component unit basic financial statements of governmental activities, each major fund and the aggregate remaining fund information of Miami Community Charter School, Inc. ("School") a component unit of The School Board of Miami-Dade County, Florida as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements as listed in the foregoing 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.

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 component unit financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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 audit provides a reasonable basis for our opinion.

In our opinion, the component unit financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School at June 30, 2005, 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.

Management's discussion and analysis and the statement of revenues, expenditures and changes in fund balances budget and actual are not required parts of the basic financial statements, but are supplementary information required by the GASB. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 8, 2005 on our consideration of the School's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Millward & Co CPAs

Millward & Co. CPAs
Fort Lauderdale, Florida
September 8, 2005



MIAMI COMMUNITY CHARTER SCHOOL, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 53,101
Prepaid expenses	1,939
Capital assets	<u>785</u>
TOTAL ASSETS	<u>55,825</u>
LIABILITIES	
Accounts payable	33,004
Accrued expense	<u>32,275</u>
TOTAL LIABILITIES	<u>65,279</u>
NET ASSETS	
Invested in capital assets	785
Unrestricted (Deficit)	<u>(10,239)</u>
TOTAL NET ASSETS	<u>\$ (9,454)</u>

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Program Activities	Program Revenues			Net Revenue and Change in Net Assets		
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities
Governmental Activities						
Instructional services	\$ 427,631	\$ 2,247	\$ -	\$ -	\$ (425,384)	\$ -
Instructional support services	16,482	-	-	-	(16,482)	-
Pupil transportation services	28,420	-	-	-	(28,420)	-
Food services	42,938	-	-	-	(42,938)	-
School administration	278,932	-	-	-	(278,932)	-
Facilities acquisition and construction	113,211	-	-	-	(113,211)	-
Fiscal services	37,393	-	-	-	(37,393)	-
Operation and maintenance services	51,536	-	-	-	(51,536)	-
Total Government Activities	996,543	2,247	-	-	(994,296)	(994,296)
Total Business-Type Activities	-	-	-	-	-	-
Total Government	\$ 996,543	\$ 2,247	\$ -	\$ -	(994,296)	(994,296)
General Revenue						
FEFP fees					727,204	727,204
Operating grants and contributions					239,862	239,862
Contribution not restricted					18,324	18,324
Other					3,754	3,754
Total General Revenue					989,144	989,144
Change in Net Assets					(5,152)	(5,152)
Net Assets (Deficit)-Beginning					(4,302)	(4,302)
Net Assets (Deficit)-Ending					\$ (9,454)	\$ (9,454)

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
RECONCILIATION OF THE BALANCE SHEET
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Total fund deficit - total governmental fund	\$ (10,239)
--	-------------

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

Capital outlay of \$981, net of accumulated depreciation
of (\$196), are not financial resources and, therefore are
not reported in the funds

785

Net Assets of Governmental Activities

<u>\$ (9,454)</u>

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
 BALANCE SHEET
 GOVERNMENTAL FUNDS
 JUNE 30, 2005

	General	Capital Project	Total Governmental Funds
ASSETS			
Cash	\$ 53,101	\$ -	\$ 53,101
Prepaid expenses	<u>1,939</u>	<u>-</u>	<u>1,939</u>
TOTAL ASSETS	<u>\$ 55,040</u>	<u>\$ -</u>	<u>\$ 55,040</u>
LIABILITIES			
Accounts payable	\$ 33,004	\$ -	\$ 33,004
Accrued expense	<u>32,275</u>	<u>-</u>	<u>32,275</u>
TOTAL LIABILITIES	<u>65,279</u>	<u>-</u>	<u>65,279</u>
FUND DEFICIT			
Unreserved (Deficit)	<u>(10,239)</u>	<u>-</u>	<u>(10,239)</u>
TOTAL FUND DEFICIT	<u>(10,239)</u>	<u>-</u>	<u>(10,239)</u>
TOTAL LIABILITIES AND FUND DEFICIT	<u>\$ 55,040</u>	<u>\$ -</u>	<u>\$ 55,040</u>

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Capital Project</u>	<u>Total Governmental Funds</u>
Revenues:			
FEFP fees	\$ 727,204	\$ -	\$ 727,204
Operating grants and contributions	239,862	-	239,862
Contributions not restricted	18,324	-	18,324
Charge for services	2,247	-	2,247
Other	<u>3,754</u>	<u>-</u>	<u>3,754</u>
Total revenues	<u>991,391</u>	<u>-</u>	<u>991,391</u>
Expenditures:			
Instructional services	427,631	-	427,631
Instructional support services	16,482	-	16,482
Pupil transportation services	28,420	-	28,420
Food services	42,938	-	42,938
School administration	278,932	-	278,932
Facilities acquisition and construction	113,996	-	113,996
Fiscal services	37,393	-	37,393
Operation and maintenance services	<u>51,536</u>	<u>-</u>	<u>51,536</u>
Total expenditures	<u>997,328</u>	<u>-</u>	<u>997,328</u>
Deficiency of revenues over expenditures	(5,937)	-	(5,937)
Fund Deficit - July 1, 2004	<u>(4,302)</u>	<u>-</u>	<u>(4,302)</u>
Fund Deficit - June 30, 2005	<u>\$ (10,239)</u>	<u>\$ -</u>	<u>\$ (10,239)</u>

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

Net change in fund deficit - total government funds \$ (5,937)

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

Governmental funds report capital outlay as expenditures. However, in the statement of
activities and change in net assets, the cost of those assets is allocated over the estimated
useful lives and reported as depreciation expenses. This is the amount by which capital
assets of \$981 exceeded depreciation of (\$196) in the current period.

785

Change in net assets of governmental activities \$ (5,152)

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2005

	<u>BUDGET</u>	<u>ACTUAL</u>	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues:			
FEFP fees	\$ 695,390	\$ 727,204	\$ 31,814
Operating grants and contributions	250,000	239,862	(10,138)
Contributions not restricted	8,898	18,324	9,426
Charge for services	2,400	2,247	(153)
Other	<u>-</u>	<u>3,754</u>	<u>3,754</u>
Total revenues	<u>956,688</u>	<u>991,391</u>	<u>34,703</u>
Expenditures:			
Instructional services	468,185	427,631	40,554
Instructional support services	2,316	16,482	(14,166)
Pupil transportation services	26,883	28,420	(1,537)
Food services	41,219	42,938	(1,719)
School administration	273,686	278,932	(5,246)
Facilities acquisition and construction	82,500	113,996	(31,496)
Fiscal services	39,640	37,393	2,247
Operation and maintenance services	<u>44,331</u>	<u>51,536</u>	<u>(7,205)</u>
Total expenditures	<u>978,760</u>	<u>997,328</u>	<u>(18,568)</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (22,072)</u>	(5,937)	<u>\$ 16,135</u>
Fund Deficit - July 1, 2004		<u>(4,302)</u>	
Fund Deficit - June 30, 2005		<u>\$ (10,239)</u>	

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization – Miami Community Charter School, Inc. (“School”) was organized in Miami-Dade County, Florida, in December, 2003 to operate an alternative education opportunity for the students of Miami-Dade County, from kindergarten through fifth grade.

The legal authority for the School is Section 228.056(7) Florida Statutes.

Reporting Entity

The financial reporting entity consists of the following:

- The primary government
- Organizations for which the primary government is financially accountable
- Other organizations that, because of the nature and significance of their relationship with the primary government, may not be excluded from the financial reporting entity.

There are no component units; however, the School is a component unit of School Board of Miami-Dade County, Florida.

2. Government-Wide and Financial Statements

Government-Wide Financial Statements

The government-wide financials statements include the statement of net assets and the statement of activities. These statements report financial information for the School as a whole.

The statement of activities report 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 positions of a fund or summarize more than one fund to capture the expense and program revenues associated with a Board functional activity. Program revenues include: (1) charges for services which report fees and other charges, (2) operating grants and contributions which finance annual operating activities including restricted investment income, 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 programs uses.

Fund Financial Statements

Fund financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns with composite columns for non-major funds.

3. Measure Focus, Basis of Accounting and Financial Statement Presentation

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

MIAMI COMMUNITY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Measure Focus, Basis of Accounting and Financial Statement Presentation (Continued)

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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. 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 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred.

Major revenues sources susceptible to accrual include: intergovernmental revenues, and interest income.

4. Major Fund

General Fund - The General Fund is the general operating fund. It is used to account for all current financial resources except those required to be accounted for in another fund of the School.

5. Capital Assets, Depreciation and Amortization

The School's property, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements.

The School generally capitalizes assets with cost of \$750 or more as outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extends the useful lives are expensed. 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, fixture and equipment	5 years
----------------------------------	---------

6. Budgetary

Budget to actual comparison are reflected in the accompanying financial statements for general fund type which the School has adopted for its operations. The School adopts its budget on basis consistent with GAAP.

7. Total (Memorandum Only)

The total data is the aggregate of the fund type and account group. No consolidation or eliminations were made in arriving at the total; thus, this does not present consolidated information. This column is presented for analytical purposes only.

MIAMI COMMUNITY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

8. Encumbrances

Encumbrance accounting, under which purchase orders and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed.

9. 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 the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE B – SCHOOL BOARD OF MIAMI-DADE COUNTY

The School has an agreement with the School Board of Miami-Dade County, Florida, to operate a Charter School. The School receives funding from the School Board of Miami-Dade County, Florida, based on the projected number of full time equivalent (FTE) students. The term of the contract is for five years ending June 30, 2009, with an option to renew for an additional 15 years. The number of students attending the school for the year ending June 30, 2005, was 135.

NOTE C – CAPITAL ASSETS

Changes in assets during the year ended June 30, 2005 were as follows:

	Balance 06/30/04	Additions	Deletions	Balance 06/30/05
Office equipment and fixtures	\$ -	\$ 981	\$ -	\$ 981
	-	981	-	981
Less: Accumulated depreciation	-	(196)	-	(196)
Net	<u>\$ -</u>	<u>\$ 785</u>	<u>\$ -</u>	<u>\$ 785</u>

Depreciation expense for year ended June 20, 2005, was \$196.

NOTE D – CONTINGENCIES

The School receives funding through the School Board of Miami-Dade County, Florida, that is based in part on a computation of the number of full time equivalent ("FTE") students enrolled. The accuracy of data compiled supporting the FTE count is subject to audit, and if found to be in error, could result in refunds or in decreases of future funding allocations. It is the opinion of management that the amount of revenue which may be remitted back due to errors in the FTE count, if any, will not be material to the financial position of the School. In addition, the continued operation of the School is depended upon an agreement with School Board of Miami-Dade County, Florida.

MIAMI COMMUNITY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE E – LEASE AGREEMENT

The School leases its administrative and classroom space under operating leases expiring June 20, 2009, with an option of renewal up to additional periods of five years. The base rent will increase at a rate of \$500 per year for each student when enrollment exceeds over 180 minimum numbers of students. Rental expense was \$78,000 for the year ended June 30, 2005.

Future minimum lease payments are as follows:

<u>June 30</u>	
2006	\$ 90,000
2007	90,000
2008	90,000
2009	90,000
Total	<u>\$ 360,000</u>

NOTE F – RISK MANAGEMENT

The School is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the School carries commercial insurance.

NOTE G – OTHER INFORMATION

Miami Community Charter School located at 101 SW Redland Road, Florida City, FL, 33034. The School principal is Ms. Jila Rezaie, Ed. D., and the Board of Directors is as follows:

Mark Howard Gotz	President
Pam Hackett	Secretary
William Andrew	Board member

In July 2004, the School entered into a contract with a third party for professional services. The School Financial Services, Inc. agreed to provide various financial and accounting services for School. The School Financial Services, Inc., located at 32425 Highway 90 East, Bonifay, FL 32425, and the company president is Gary B. Scott. The contract can be cancelled by either party with 30 days advance notice and it was expired on June 30, 2005. The professional fee for the year ending June 30, 2005 was \$20,729.

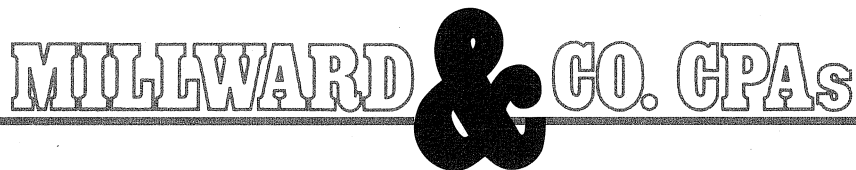
The following is information about the Certified Public Accountant issuing the audit report:

CPA's Name:	Millward & Co., CPAs
CPA's Address:	2745 W. Cypress Creek Road Fort Lauderdale, Florida 33309
License No:	1143963
Status:	Current
Expiration Date:	December 31, 2005

MIAMI COMMUNITY CHARTER SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

NOTE H – RELATED PARTY

The school entered into an agreement with MG6, Corp, 7300 W. McNab Road, Suite #217, Tamarac, Florida 33321, for consultant services. Mark Gotz, Chairman of the Board of Directors is the owner of MG6, Corp. Fees under the contract are \$2,000 per month plus expenses not to exceed \$1,000 annually. During the year ended June 30, 2005, \$10,000 in fees were paid to MG6, Corp., which is a breach of the School's contract with the School Board of Miami-Dade County, Florida. The ultimate disposition of this matter is not known.



**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**

The Board of Trustees
Miami Community Charter School, Inc.
Florida City, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miami Community Charter School, Inc. (the "School") as of and for the year ended June 30, 2005, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 8, 2005. 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 School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

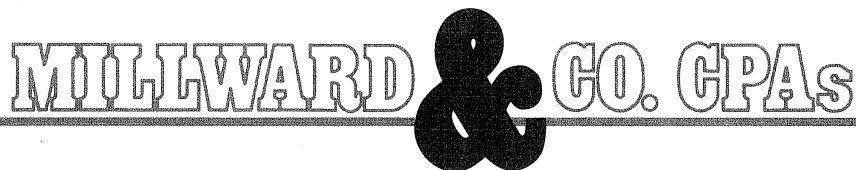
As part of obtaining reasonable assurance about whether School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in Appendix A.

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

Millward & Co CPAs

Millward & Co. CPAs
Ft. Lauderdale, Florida
September 8, 2005





MANAGEMENT LETTER

The Board of Trustees
Miami Community Charter School, Inc.
Florida City, Florida

We have audited the financial statements of Miami Community Charter School, Inc. ("School") as of and for the fiscal year ended June 30, 2005, and have issued our report thereon dated September 8, 2005.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over financial Reporting and on compliance and other matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*, dated September 8, 2005, and it should be considered in conjunction with this management letter.

In planning and performing our audit, we considered the School's internal control financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550 and 10.850, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida and require that certain items be addressed in this letter.

The Rules of the Auditor General (Section 18.856(2)) state that a management letter shall include a statement as to whether or not inaccuracies, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit have been corrected. There were no such matters in the preceding annual financial audit.

The Rules of the Auditor General (Section 10.856(2)) state that a management letter shall include a statement as to whether or not recommendations made in the preceding annual financial audit report have been followed. There were no such matters in the proceeding year.

The School complied with Florida Statutes 218.415 local government investment policies.



Page Two

We have applied financial condition assessment procedures pursuant to Rule 10.556 (8).

The official title of the School is Miami Community Charter School, Inc.

This management letter is intended solely for the information and use of the Board Trustees, management, and the State of Florida Office of the Auditor General, School Board of Miami-Dade County, Florida and others within the Organization and is not intended to be and should not be used by anyone other than these specified parties.

Millward & Co CPAs

Millward & Co. CPAs
Fort Lauderdale, Florida
September 8, 2005



MIAMI COMMUNITY CHARTER SCHOOL, INC.
JUNE 30, 2005

Appendix A

The Board of Trustees
Miami Community Charter School, Inc.
Florida City, Florida

In planning and performing our audit of the financial statements of Miami Community Charter School, Inc. for the year ended June 30, 2005, we considered the School's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of a matter that is an opportunity for strengthening internal controls and operating efficiency. We previously reported on the School's internal control in our report dated September 8, 2005. This letter does not affect our report dated September 8, 2005, on the financial statements of Miami Community Charter School.

We will review the status of this comment during our next audit engagement. We have already discussed this comment and suggestion with School personnel, and we will be pleased to discuss this comment in further detail at your convenience, to perform any additional study of this matter, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Finding

The School's contract with the School Board Miami-Dade County prohibits any compensation to Board of Directors. During our audit, we noted that the School paid \$10,000 for professional services to one of its Board of Directors. This transaction caused a breach of contract.

Recommendation

We recommend that the School cure the breach of the contract and establish procedures to ensure further compliance.

Management Response

We agreed with finding. The director in question has agreed to refund the \$10,000 paid as professional fees and to resign from the board. However, we would point out that the total value of services far exceeded \$10,000, which the director in question gladly provided pro-bono to the school.

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

Millward & Co CPAs

Millward & Co. CPAs
Fort Lauderdale, Florida
September 8, 2005

