

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

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SCHOOL CHOICE
AND PARENTAL OPTIONS

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
JUNE 30, 2006 AND 2005**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Liberty City Charter School Project, Inc.
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Liberty City Charter School Project, Inc. (the "Charter School"), a component unit of the Miami-Dade County District School Board, Miami, Florida, as of and for the years ended June 30, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of the Charter 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 audits 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 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter School, as of June 30, 2006 and 2005, and the respective changes in financial position thereof and the respective budgetary comparison for the General Fund and the Special Revenue Fund for the 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 our report dated August 15, 2006, on our consideration of the Charter School's internal control over financial reporting and our tests of its 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 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.

INDEPENDENT AUDITORS' REPORT

The management's discussion and analysis on pages 3 to 12 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

S. Davis & Associates, P.A.

Miami, Florida
August 15, 2006

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
 A CHARTER SCHOOL AND COMPONENT UNIT OF THE
 MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
 MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
 YEARS ENDED JUNE 30, 2006 AND 2005**

As management of the Liberty City Charter School Project, Inc. (the "Charter School"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2006. We encourage readers to consider the information presented here through page 12 of this report.

Financial highlights

- Receivables decreased by approximately \$3,000 and 8%. The decrease is due to a reduction in outstanding receivables from the 21st Century Grant Program, and a decrease in outstanding receivables from Miami-Dade County Public Schools.
- Prepaid expenses increased by approximately \$22,000 and 500%. This increase is due to the use of available excess cash to prepay coverage for disability, other liability, health and dental insurance premiums.
- The net total of Capital Assets decreased by approximately \$30,000 and 3%. This decrease is due to a reduction of depreciation expenses from the prior year and the write-off of a portion of the restoration of restrooms capitalized in a previous period which was not completed.
- Current Liabilities decreased by approximately \$13,000 and 5%. The reason for this decrease is due to a reduction of payroll accrual from the prior year.
- Notes Payable decreased by \$40,000 and 100%. The former Executive Director of the Foundation for Florida's Future confirmed that the note was forgiven in the Charter School's first year of existence. This note, however, was not removed from the Charter School's books until now, as the forgiveness of debt was not confirmed until the current fiscal year.
- Total revenue increased by approximately \$82,000 and 3%. Factors contributing to this increase were primarily due to the following:

Income from debt forgiveness	\$	40,000
Increase in in-kind revenue and donations	\$	25,000
Other areas combined	\$	17,000

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

Financial highlights – Continued

- For the year ended June 30, 2006, total expenses increased by approximately \$80,000 and 3%. While there were certain areas that experienced slight cost increases in 2006, there were other areas in which management was able to cut costs and negate those increases. The \$80,000 increase is due to increases in general school administration, professional services and other capital outlay costs, which primarily relate to unanticipated litigation, and unexpected damages sustained and costs incurred as a result of hurricanes.

Overview of the financial statements

The discussion and analysis is intended to serve as an introduction to the Charter School's basic financial statements. The Charter 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.

Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Charter School's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the Charter School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

The *statement of activities* presents information showing how the Charter School'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, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The governmental activities of the Charter School include operating activities such as instruction, pupil personnel, general administration, central services and other school services.

The government-wide financial statements can be found on pages 14 through 16 of this report.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

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 Charter School, like other state and local governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Charter School's funds are divided into two categories: the general fund and the special revenue 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 outflows* of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Charter 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 Charter School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Charter School adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements have been provided for the general and special revenue funds to demonstrate compliance with the budget. The basic governmental fund financial statements, reconciliations, and budgetary comparison statements can be found on pages 17 through 24 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 25 through 36 of this report.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

Government-wide financial analysis

A comparative analysis of fiscal years 2006 and 2005 follows:

	Net Assets As of June 30,	
	<u>2006</u>	<u>2005</u>
Current assets	\$ 136,877	\$ 123,582
Noncurrent assets		
Capital assets, net of depreciation	875,896	906,111
Other noncurrent assets		(1,000)
Total Assets	<u>\$ 1,012,773</u>	<u>\$ 1,028,693</u>
Current liabilities	\$ 274,907	\$ 287,975
Long-term liabilities	594,109	639,192
Total Liabilities	<u>\$ 869,016</u>	<u>\$ 927,167</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 281,786	\$ 306,918
Unrestricted	(138,029)	(205,392)
Total Net Assets	<u>\$ 143,757</u>	<u>\$ 101,526</u>

As noted earlier, net assets may serve, over time, as a useful indicator of the Charter School's financial position. For fiscal years ended June 30, 2006 and 2005, the Charter School's assets exceeded its liabilities by approximately \$144,000 and \$102,000, respectively.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

Government-wide financial analysis - Continued

The Charter School's net assets reflect its investment in capital assets (e.g. buildings, building improvements, furniture, fixtures and equipment), net of related debt. The Charter School uses the capital assets to provide services to students. Consequently, these assets are not available for future spending.

As of June 30, 2006 and 2005, the Charter School had exhausted all of its unrestricted net assets.

Operating Results for the Years Ended June 30, 2006 and 2005

**Changes in Net Assets
For the Years Ended June 30, 2006 and 2005**

	Governmental Activities		Total Percentage Change
	2006	2005	2005-2006
Revenues			
Program revenues:			
Charges for services	\$ 61,491	\$ 85,956	-28%
Operating grants and contributions	297,695	188,254	58%
Capital grants and contributions	160,218	308,977	-48%
General revenues:			
School Board of Miami-Dade County – FTE	1,846,529	1,836,959	1%
Other general revenues	183,917	47,413	88%
Total revenues	<u>2,549,850</u>	<u>2,467,559</u>	3%
Program expenses			
Instruction	92,545	106,591	-13%
Pupil personnel services	856,714	1,002,241	-15%
Instruction and curriculum development services	82,385	77,974	6%
Central services	248,330	283,712	-12%
General and school administration	387,126	247,928	56%

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**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

Government-wide financial analysis - Continued

Operating Results for the Years Ended June 30, 2006 and 2005 - Continued

**Changes in Net Assets - Continued
For the Years Ended June 30, 2006 and 2005**

	Governmental Activities		Total Percentage Change
	2006	2005	2005-2006
Professional services	\$ 147,382	\$ 17,337	750%
Pupil transportation services	87,719	93,741	-6%
Facilities acquisition and construction	8,798	13,103	-33%
Operation of plant	372,989	354,038	5%
Maintenance of plant	108,103	108,587	0%
Community services	9,323	12,612	-26%
Interest on long-term debt	48,743	6,442	657%
Unallocated depreciation	57,462	103,642	-45%
Total expenses	<u>2,507,619</u>	<u>2,427,948</u>	3%
Change in net assets	<u>\$ 42,231</u>	<u>\$ 39,611</u>	7%

The net assets of the Charter School increased by approximately \$42,000 and 6% during the fiscal year ended June 30, 2006. This was primarily due to an increase in operating grants, contributions and other general revenues.

General Fund Budgetary Highlights

Over the course of the year, the Charter School revised its budget several times. Even with these adjustments, general fund actual expenditures were approximately \$34,000 below the final budget amounts. The most significant positive variance resulted from closing the North Dade site, which saved approximately \$55,000 of budgeted personnel services cost.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

General Fund Budgetary Highlights - Continued

Revenues available were approximately \$42,000 above the final budget amount. This positive variance was due almost entirely to the Charter School becoming a "B" school during the year, and receiving special bonus funds for above average academic achievement.

Capital Assets and Debt Administration

As of June 30, 2006 the Charter School had invested \$1.6 million in capital assets, including land, building and improvements, furniture, fixtures and equipment, and library books. (See Table below). This amount represents a net increase (including additions and deletions) of \$27,000 and 2% over its capital asset investment as of June 30, 2005. This increase was primarily related to improvements to leased facilities. Additional information regarding Capital Assets is available in the Notes to the Basic Financial Statements found on pages 31 and 32.

The Liberty City Charter School Project, Inc.'s Capital Assets

	Governmental Activities		%
	2006	2005	Change
Land	\$ 217,475	\$ 217,475	0.00%
Buildings and improvements	1,031,809	1,009,153	2.25%
Furniture fixtures and equipment	282,504	277,913	1.65%
Library Books	78,982	78,982	0.00%
Totals at historical costs	<u>1,610,770</u>	<u>1,583,523</u>	1.72%
Total accumulated depreciation	(734,874)	(677,413)	8.48%
Net capital assets	<u>\$ 875,896</u>	<u>\$ 906,110</u>	-3.33%

As of June 30, 2005, the Charter School's debt totaled \$639,000, including debt related to initial start-up funding received from the Foundation for Florida's Future in the amount of \$40,000, and new debt incurred with the acquisition of land and buildings for future development in the amount of \$599,000 as of June 30, 2005. As of June 30, 2006, the Charter School's debt was reduced to approximately \$594,000, as a result of approximately \$5,000 in principal reduction payments made to the mortgage holder of the land and buildings. In addition, the \$40,000 note was written-off because, in the current year, the Charter School received a formal notice that

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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

Government-wide financial analysis - Continued

Capital Assets and Debt Administration - Continued

start-up the funding note had been forgiven since 1996. Additional information regarding the Charter School's Mortgage and Notes Payable are available in the Notes to the Basic Financial Statements found on pages 33 and 34.

Conditions having a significant effect on financial position or results of operations

During fiscal year 2004, the Charter School experienced a significant negative change in its net assets. (The 2004 loss was approximately \$331,000). Early in the 2004 calendar year, the Miami-Dade County District School Board, of which the Charter School is a component unit and is sponsored by, approached the Charter School to help the North Dade Charter School ("North Dade") as it was at risk of being closed. While this was the right thing to do for the children, folding North Dade into the Charter School yielded a "special set of circumstances" which caused a significant negative change in the net assets of the Charter School. In spite of the fact that this "special set of circumstances" did not generate special revenues from our sponsor, the Charter School is rebounding from its decision to "save the children" while creating a dire financial position for itself. As of the date of this report, the Charter School does not have going concern issues. In the two years following this financially catastrophic set of circumstances, the Charter School's financial position has improved as follows:

	<u>2004</u>	<u>2005</u>	<u>% Change</u>	<u>2006</u>	<u>% Change</u>
Excess/(deficiency) of revenue over expenses	(\$330,686)	\$49,705	115.03%	\$29,363	-40.93%
Beginning fund balance	<u>\$116,589</u>	<u>(\$214,097)</u>	-283.63%	<u>(\$164,392)</u>	23.22%
Ending fund balance	<u>(\$214,097)</u>	<u>(\$164,392)</u>	23.22%	<u>(\$135,029)</u>	17.86%

Also, note that in 2004, when the Charter School was summoned to rescue the failing North Dade Charter School, we were a "C" school (only average to other schools in the State of Florida). In 2005, as we began to recover, we improved our fund balance by 23%, and we became a "B" school (better than the average school in the State of Florida). During the current fiscal year ending June 30, 2006, we have continued to improve our financial condition with an 18% improvement in our fund balance above the 2005 fund balance level, and we are now

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
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MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

Government-wide financial analysis – Continued

Conditions having a significant effect on financial position or results of operations - Continued

considered an “A” school (one of the very best schools in the State of Florida).

Finally, while the current year financial position of the Charter School did improve by approximately \$29,000, it should be noted that the current year financial position of the Charter School was significantly impacted by two major unanticipated factors:

1. The unanticipated non-reimbursable expenditures in excess of \$20,000 related to Hurricanes Katrina and Wilma, and
2. Unanticipated legal expenses of approximately \$80,000.

If not for these two factors, the Charter School’s overall fund balance would have been improved by an additional \$100,000.

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

Governmental Funds

The focus of the Charter 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 Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the Charter School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Charter School. At the end of the current fiscal year, unreserved general fund increase was approximately \$103,000, while the total fund deficit was approximately \$221,000. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures.

School Enrollment

During the fiscal years June 30, 2006 and June 30, 2005, the grade levels at the Charter School ranged from Grade K through Grade 8, with a total enrollment of 353 and 378 students, respectively.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED
YEARS ENDED JUNE 30, 2006 AND 2005**

Requests for Information

The financial report is designed to provide a general overview of the Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information should be addressed to Katrina Wilson-Davis, Principal, 8700 NW 5th Avenue, Miami, Florida 33150.

Governing Board Members

Mr. T. Willard Fair, Chairman
Ms. Cheryl Wachtel
Mr. Al Townsel
Mrs. Cheri Perry
Mr. Andrew Bellinson
Mr. Ronald Demon
Ms. Anita Jones

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE MIAMI-DADE
COUNTY DISTRICT SCHOOL BOARD
BASIC FINANCIAL INFORMATION
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005

	Governmental Activities	
	2006	2005
ASSETS		
Cash	\$ 69,416	\$ 75,469
Due from Miami-Dade County Public Schools	24,574	29,675
Other receivable	12,117	10,345
Deposit	4,160	3,610
Prepaid expenses	26,610	4,483
Investment in limited liability company		(1,000)
Capital Assets		
Land	217,475	217,475
Buildings and fixed equipment	1,031,809	1,009,153
Less accumulated depreciation	(396,721)	(360,927)
Furniture, fixtures and equipment	282,504	277,913
Less accumulated depreciation	(265,604)	(253,025)
Library books	78,982	78,982
Less accumulated depreciation	(72,549)	(63,460)
Total Assets	\$ 1,012,773	\$ 1,028,693
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	\$ 274,907	\$ 287,975
Noncurrent liabilities:		
Mortgage payable due within one year	5,505	5,083
Due in more than one year:		
Mortgage payable	588,604	594,109
Notes payable		40,000
Total Liabilities	869,016	927,167
Net Assets		
Invested in capital assets, net of related debt	281,786	306,918
Unrestricted	(138,029)	(205,392)
Total Net Assets	\$ 143,757	\$ 101,526

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	\$ 92,545	\$ 54,987	\$ 81,011		\$ 43,453
Pupil personnel services	856,714		79,230		(777,484)
Instruction and curriculum development services	82,385	6,504	45,380		(30,501)
General and school Administration	387,126		41,392		(345,734)
Facilities acquisition and Construction	8,798		7,087	\$ 34,651	32,940
Professional services	147,382				(147,382)
Central services	248,330		29,683		(218,647)
Pupil transportation services	87,719		7,585		(80,134)
Operation of plant	372,989		3,552	71,853	(297,584)
Maintenance of plant	108,103			5,962	(102,141)
Community services	9,323		2,775		(6,548)
Interest on long-term debt	48,743			47,752	(991)
Unallocated depreciation expense	57,462				(57,462)
Total governmental activities	\$ 2,507,619	\$ 61,491	\$ 297,695	\$ 160,218	\$ (1,988,215)
General revenues:					
					\$ 1,846,529
School Board of Miami-Dade County – FTE					183,917
Other revenue					2,030,446
Total general revenues					42,231
Change in net assets					101,526
Net assets – beginning					143,757
Net assets – ending					

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	Program Revenues			<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities					
Instruction	\$ 106,591				\$ (106,591)
Pupil personnel services	1,002,242				(1,002,242)
Instruction and curriculum development services	77,974	\$ 85,956			7,982
General and school administration	247,928		\$ 18,238		(229,690)
Facilities acquisition and construction	19,545			\$ 193,009	173,464
Professional services	17,337				(17,337)
Central services	283,712		127,827		(155,885)
Pupil transportation services	93,741				(93,741)
Operation of plant	354,038		1,000	115,968	(237,070)
Maintenance of plant	108,587				(108,587)
Community services	12,612		41,189		28,577
Unallocated depreciation expense	103,642				(103,642)
Total governmental activities	<u>\$ 2,427,949</u>	<u>\$ 85,956</u>	<u>\$ 188,254</u>	<u>\$ 308,977</u>	<u>\$ (1,844,762)</u>
General revenues:					
School Board of Miami-Dade County – FTE					\$ 1,836,959
Other revenue					<u>47,413</u>
Total general revenues					<u>1,884,372</u>
Change in net assets					39,610
Net assets – beginning					<u>61,916</u>
Net assets – ending					<u>\$ 101,526</u>

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2006**

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash		\$ 69,416	\$ 69,416
Deposit	\$ 4,160		4,160
Due from Miami-Dade County Public Schools		24,574	24,574
Due from General Fund		43,743	43,743
Accounts receivable	12,117		12,117
Prepaid expenses	26,610		26,610
Total Assets	\$ 42,887	\$ 137,733	\$ 180,620
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 223,108	\$ 51,799	\$ 274,907
Due to Special Revenue Fund	43,743		43,743
Total liabilities	266,851	51,799	318,650
Fund Balances:			
Unreserved reported in:			
General fund	(223,964)		(223,964)
Special revenue fund		85,934	85,934
Total fund balances	(223,964)	85,934	(138,030)
Total Liabilities and Fund Balances	\$ 42,887	\$ 137,733	\$ 180,620

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
GOVERNMENTAL FUNDS - BALANCE SHEET
JUNE 30, 2005

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash		\$ 75,469	\$ 75,469
Deposits	\$ 3,610		3,610
Due from Miami-Dade County Public Schools		29,675	29,675
Due from General Fund		119,787	119,787
Accounts receivable	10,345		10,345
Prepaid expenses	4,483		4,483
Total Assets	\$ 18,438	\$ 224,931	\$ 243,369
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued expenses	\$ 222,540	\$ 65,434	\$ 287,975
Due to Special Revenue Fund	119,787		119,787
Total liabilities	342,327	65,434	407,761
Fund Balances:			
Unreserved reported in:			
General fund	(323,889)		(323,889)
Special revenue fund		159,497	159,497
Total fund balances	(323,889)	159,497	(164,392)
Total Liabilities and Fund Balances	\$ 18,438	\$ 224,931	\$ 243,369

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS
TO THE STATEMENTS OF NET ASSETS
JUNE 30, 2006 AND 2005**

	2006	2005
Total fund balances - governmental funds	\$ (138,030)	\$ (164,392)
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.	875,896	906,110
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds		(1,000)
Long-term liabilities, are not due and payable in the current period and therefore, are not reported in the funds.	(594,109)	(639,192)
Net assets of governmental activities	\$ 143,757	\$ 101,526

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Miami-Dade County Public Schools	\$ 1,846,529	\$ 300,094	\$ 2,146,623
Gifts and grants	44,531	88,253	132,784
Academic Enrichment Program	61,491		61,491
Other revenue	<u>208,952</u>		<u>208,952</u>
Total revenues	<u>2,161,503</u>	<u>388,347</u>	<u>2,549,850</u>
Expenditures			
Current:			
Instruction	75,005	17,540	92,545
Pupil personnel services	777,484	79,230	856,714
Instructional and curriculum development	37,004	45,381	82,385
Central services	218,647	29,683	248,330
General and school administration	352,810	34,316	387,126
Professional services	147,382		147,382
Pupil transportation services	80,134	7,585	87,719
Operation of plant	250,299	122,690	372,989
Maintenance of plant	108,103		108,103
Interest on long-term debt	991	47,752	48,743
Other expenses	6,548	2,775	9,323
Capital Outlay			
Facilities acquisition and construction	<u>7,171</u>	<u>74,958</u>	<u>82,129</u>
Total current expenditures	<u>2,061,578</u>	<u>461,910</u>	<u>2,523,488</u>
Excess or (deficiency) of revenue over expenditures	99,925	(73,563)	26,362
Fund balance, beginning of year	<u>(323,889)</u>	<u>159,497</u>	<u>(164,392)</u>
Fund balance, end of year	<u><u>\$ (223,964)</u></u>	<u><u>\$ 85,934</u></u>	<u><u>\$ (138,030)</u></u>

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Miami-Dade County Public Schools	\$ 1,836,959	\$ 163,989	\$ 2,000,948
Gifts and grants	1,000	272,814	273,814
Academic Enrichment Program	85,956		85,956
Other revenue	<u>106,840</u>		<u>106,840</u>
Total revenues	<u>2,030,755</u>	<u>436,803</u>	<u>2,467,558</u>
Expenditures			
Current:			
Instruction	67,693	38,898	106,591
Pupil personnel services	922,062	80,179	1,002,241
Instructional and curriculum development	77,974		77,974
Central services	196,600	87,112	283,712
General and school administration	247,928		247,928
Professional services	17,337		17,337
Pupil transportation services	93,741		93,741
Operation of plant	223,044	130,994	354,038
Maintenance of plant	108,586		108,586
Other expenses	12,612		12,612
Capital Outlay:			
Facilities acquisition and construction	<u>728,665</u>	<u>99,620</u>	<u>828,285</u>
Total current expenditures	<u>2,696,242</u>	<u>436,803</u>	<u>3,133,045</u>
Deficiency of revenue over expenditures	(665,487)		(665,487)
Other Financing Sources:			
Mortgage	599,192		599,192
Liquidation of investment in subsidiary		<u>116,000</u>	<u>116,000</u>
(Deficiency) or excess of revenue and other financing	(66,295)	116,000	49,705
Fund balance, beginning of year	<u>(257,594)</u>	<u>43,497</u>	<u>(214,097)</u>
Fund balance, end of year	<u>\$ (323,889)</u>	<u>\$ 159,497</u>	<u>\$ (164,392)</u>

See notes to financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
RECONCILIATION OF THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO
THE STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2006 AND 2005**

	2006	2005
Total net changes in fund balances - governmental funds	\$ 26,362	\$ 49,705
<p>Amounts reported for governmental activities in the statement of Net assets are different because:</p>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay/depreciation expense exceeds depreciation/capital outlay in the related period.	15,869	705,097
Mortgage proceeds provide current financing resources to governmental funds, but receipts of long-term debt increases long-term liabilities in the statement of net assets		(599,192)
Dissolution of investment in subsidiary provides other sources to governmental funds but decreases assets in the statement of net assets.		(116,000)
Changes in net assets of governmental activities	\$ 42,231	\$ 39,610

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2006

	General Fund				Special Revenue Fund				Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	
Revenues									
School Board of Miami-Dade County	\$ 2,271,549	\$ 1,828,934	\$ 1,846,529	\$ 17,595	\$ 320,451	\$ 339,877	\$ 300,094	\$ (39,783)	
Gifts and Grants			44,531	44,531	154,000	148,814	88,253	(60,561)	
Academic Enrichment Program	61,500	61,500	61,491	(9)					
Other revenue	187,000	229,035	208,952	(20,083)					
Total revenues	<u>2,520,049</u>	<u>2,119,469</u>	<u>2,161,503</u>	<u>42,034</u>	<u>474,451</u>	<u>488,691</u>	<u>388,347</u>	<u>(100,344)</u>	
Expenditures									
Current									
Instruction	136,300	79,692	75,005	4,687	40,667	19,109	17,540	1,569	
Pupil personnel services	1,099,200	832,236	777,484	54,752	62,170	79,230	79,230		
Instructional and curriculum development	83,149	48,046	37,004	11,042	61,267	59,850	45,380	14,470	
Central services	350,566	236,398	218,647	17,751		36,536	29,683	6,853	
General and school administration	180,058	323,559	352,810	(29,251)	44,930	68,539	34,316	34,223	
Fiscal services	17,000	69,860	147,382	(77,522)					
Pupil transportation services	45,000	77,290	80,134	(2,844)	23,325	11,100	7,585	3,515	
Operation of plant	242,660	254,082	250,299	3,783	205,000	115,055	122,690	(7,635)	
Maintenance of plant	90,000	100,019	108,103	(8,084)					
Other expenses	5,000	32,699	6,548	26,151		2,775	2,775		
Capital Outlay									
Mortgage Interest & Other Capital Outlays	155,000		8,162	(8,162)	136,000	91,463	122,710	(31,247)	
Total expenditures	<u>2,403,933</u>	<u>2,053,881</u>	<u>2,061,578</u>	<u>(7,697)</u>	<u>573,359</u>	<u>483,657</u>	<u>461,910</u>	<u>21,747</u>	
Excess (deficiency) of revenues over expenditures	116,116	65,588	99,925	34,337	(98,908)	5,034	(73,563)	(78,598)	
Excess (deficiency) of revenues and other financing sources over expenditures	\$ 116,116	\$ 65,588	99,925	37,337	\$ (98,908)	\$ 5,034	(73,563)	\$ (78,598)	
Fund balances, beginning of year			(323,889)				159,497		
Fund balances, end of year			<u>(223,964)</u>				<u>\$ 85,934</u>		

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2005

	General Fund			Special Revenue Fund		
	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original and Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues						
Federal Dissemination Grant						
School Board of Miami-Dade County	\$ 1,782,000	\$ 1,836,959	\$ 54,959	\$ 144,000	\$ 163,989	\$ 19,989
Gifts and Grants		1,000	10,956		272,814	272,814
Academic Enrichment Program	75,000	85,956	(122,231)			
Other revenue	229,071	106,840	(55,316)			
Total revenues	<u>2,086,071</u>	<u>2,030,755</u>	<u>(55,316)</u>	<u>144,000</u>	<u>436,803</u>	<u>292,803</u>
Expenditures						
Current						
Instruction	100,000	67,693	32,307	20,004	38,898	(18,894)
Pupil personnel services	1,067,693	922,062	145,631	38,996	80,179	(41,183)
Instructional and curriculum development	21,000	77,974	(56,974)			
Central services	347,560	196,600	150,960	85,000	87,112	(2,112)
General and school administration	180,038	247,928	(67,870)			
Fiscal services	17,000	17,337	(337)			
Pupil transportation services	45,000	93,741	(48,741)			
Operation of plant	242,660	223,044	19,616		130,994	(130,994)
Maintenance of plant	90,000	108,586	(18,586)			
Other expenses	5,000	12,612	(7,612)			
Capital Outlay						
Facilities acquisition and construction	155,000	728,665	(573,665)		99,620	(99,620)
Total expenditures	<u>2,270,971</u>	<u>2,696,242</u>	<u>(425,271)</u>	<u>144,000</u>	<u>436,803</u>	<u>(292,803)</u>
Excess (deficiency) of revenues over expenditures	(184,900)	(665,487)	(480,587)			
Other Financing Sources						
Mortgage		599,192	599,192		116,000	116,000
Liquidation of investment in subsidiary						
Excess (deficiency) of revenues and other financing sources over expenditures	\$ (184,900)	(66,295)	\$ 118,605	\$	116,000	\$ 116,000
Fund balances, beginning of year		(257,594)			43,497	
Fund balances, end of year	\$	<u>(323,889)</u>		\$	<u>159,497</u>	

See notes to financial statements.

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006 AND 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting entity

The Liberty City Charter School Project, Inc. (the "Charter School") is a not-for-profit corporation, organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The Charter School operates under a Charter approved by its sponsor, the Miami-Dade County District School Board. The governing body of the Charter School is the not-for-profit corporation's Board of Directors which is composed of seven (7) members.

The Charter School provides educational services to students in grades kindergarten through eight. The core philosophy and purpose of the Charter School is to demonstrate that the Charter School's students can learn at high levels through an academically rigorous and innovative curriculum that incorporates the development of good character. The Charter School has demonstrated its ability to achieve this objective with its recognition as an "A", and a "B" school for the years ended June 30, 2006, and 2005, respectively.

The general operating authority of the Charter School is contained in Section 228.056, Florida Statutes. The Charter School operates under a charter of the sponsoring school district, Miami-Dade County District School Board (the "District"). The current charter is effective until June 30, 2018, and may be renewed in increments of 5 to 15 years by mutual agreement between the Charter School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the Charter School in writing at least 90 days prior to the Charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The Liberty City Charter School Project, Inc. is considered a component unit of the Miami-Dade County District School Board.

Criteria of determining if other entities are potential component units which should be reported within the Charter School's financial statements are identified and described in the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

b. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all activities of the Charter School. The effect of interfund activity, generally, has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) operating grants and contributions that are used to meet the operational requirements of a particular function or program, and 2) capital grants and contributions that are restricted to meeting the capital requirements of a particular function or program.

Separate financial statements are provided for governmental funds. Major individual governmental funds, namely, the general and special revenue funds, are reported as separate columns in the fund financial statements.

c. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is 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 soon as all eligibility requirements imposed by the provider have been met.

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

The Charter School reports the following major governmental funds:

The general fund is the Charter School's primary operating fund. It accounts for all financial resources of the Charter School, except those required to be accounted for in another fund.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

c. Measurement focus, basis of accounting, and financial statement presentation - Continued

The special revenue fund accounts for specific revenue that are legally restricted to expenditure for particular purposes.

d. 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

e. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

All account receivables, including those from Miami-Dade County School Board are shown at net realizable value. The amounts reported as Due From Miami-Dade County Board consist of the Charter School's share of revenue based on the Charter School's proportionate share of enrollment within the Miami-Dade County School District and for capital projects, as described in Note 1. These amounts are considered to be collectible.

f. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

g. Capital assets

Capital assets, which include land, buildings, building improvements, furniture and fixtures, equipment and library books are reported in the applicable governmental activities in the government-wide financial statements. Capital assets are defined by the Charter School as assets with an initial, individual cost of more than \$500 and a life of more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, if any, are recorded at estimated fair value at the date of donation.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

g. Capital assets - Continued

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.

Property and equipment of the Charter School is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	30
Buildings improvements	5
Furniture	5
Office equipment	5
Computer equipment	5
Library books	5

h. Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities. Long-term obligations are due to be paid in more than one year.

i. Fund equity

In the fund financial statements, the special revenue fund reported reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use of specific purpose.

j. Reclassifications

In the year 2006, certain reclassifications were made to the 2005 financial statements to conform with the presentation of the 2006 financial statements. The reclassifications have no effect on the net income for the year ended June 30, 2005.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The original and final budgets are presented in the accompanying statement of revenue and expenditures budget and actual for fiscal year ending June 30, 2006. There were no budget amendments during fiscal year 2005.

NOTE 3 - CASH AND CERTIFICATE OF DEPOSIT

The Charter School's carrying amount of deposit was approximately \$69,000 and \$75,000 as of June 30, 2006 and 2005, respectively, and the bank balance was approximately \$78,000 and \$122,000 as of June 30, 2006 and 2005, respectively. The bank balance did not exceed the FDIC limit as of June 30, 2006.

The Charter School is operated under a Charter sponsored by the Miami-Dade County School District as described in Note 1. Accordingly, its bank deposits are governed by Chapter 280 of the Florida Statutes. All time and demand 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 qualified public depositories to deposit with the Treasurer or another banking institution eligible collateral having a market value equal to an amount from 50% to 125% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance held.

The percentage of eligible collateral (generally, U.S. Government and agency securities, state or local government debt, or corporate bonds) to public deposits is dependent upon the depository's financial history and its financial condition. Any losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. Therefore, all cash deposits in an approved Florida banking institution are both collateralized and insured and not subject to a concentration of credit risk or a custodial credit risk as defined in Government Accounting Standards Board ("GASB") Statement No. 40. The Charter School has no monetary assets other than cash in an approved depository.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 4 - RECEIVABLES

Receivables for the Charter School's general and special revenue funds as of June 30, 2006 and 2005 are as follows:

	2006	
	General Fund	Special Revenue Fund
Amount due from Miami-Dade County School Board		\$ 24,574
Amount due from the 21 st Century Grant	\$ 6,342	
Other receivables	5,775	
Total accounts receivable	\$ 12,117	\$ 24,574
	2005	
	General Fund	Special Revenue Fund
Amount due from Miami-Dade County School Board	\$ 1,000	\$ 29,675
Amount due from the 21 st Century Grant	7,980	
Other receivables	1,365	
Total accounts receivable	\$ 10,345	\$ 29,675

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2006 and 2005 was as follows:

	Beginning Balance July 1, 2005	Additions	Deletions	Ending Balance June 30, 2006
Governmental activities:				
Land	\$ 217,475			\$ 217,475
Buildings and fixed equipment	1,009,153	\$ 40,656	\$ (18,000)	1,031,809
Furniture, fixtures and equipment	277,913	4,591		282,504
Library books	78,982			78,982
Totals at historical cost	<u>1,583,523</u>	<u>45,247</u>	<u>(18,000)</u>	<u>1,610,770</u>
Accumulated depreciation for:				
Buildings and fixed equipment	(360,927)	(45,594)	9,800	(396,721)
Furniture, fixtures and equipment	(253,025)	(12,579)		(265,604)
Library books	(63,460)	(9,089)		(72,549)
Total accumulated depreciation	<u>(677,412)</u>	<u>(67,262)</u>	<u>9,800</u>	<u>(734,874)</u>
Capital assets, net	<u>\$ 906,111</u>	<u>\$ 22,015</u>	<u>\$ (8,200)</u>	<u>\$ 875,896</u>

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 5 - CAPITAL ASSETS - Continued

	Beginning Balance July 1, 2004	Additions	Ending Balance June 30, 2005
Governmental activities:			
Land		\$ 217,475	\$ 217,475
Buildings and fixed equipment	\$ 417,888	591,265	1,009,153
Furniture, fixtures and equipment	277,913		277,913
Library books	78,982		78,982
Totals at historical cost	<u>774,783</u>	<u>808,740</u>	<u>1,583,523</u>
Accumulated depreciation for:			
Buildings and fixed equipment	(298,913)	(62,014)	(360,927)
Furniture, fixtures and equipment	(220,486)	(32,539)	(253,025)
Library books	(54,371)	(9,089)	(63,460)
Total accumulated depreciation	<u>(573,770)</u>	<u>(103,642)</u>	<u>(677,412)</u>
Capital assets, net	<u>\$ 201,013</u>	<u>\$ 705,098</u>	<u>\$ 906,111</u>

There were no capital asset deletions during the fiscal year ended June 30, 2006. Depreciation expense for the years ended June 30, 2006 and 2005 was approximately \$57,000 and \$104,000, respectively, and was not allocated to the various programs.

NOTE 6 - INVESTMENT IN LIMITED LIABILITY COMPANY

The Charter School invested \$115,000 in Liberty City Development Associates, LLC ("LLC"), (a Limited Liability Company), organized under the laws of the State of Florida on December 6, 2001. The Charter School had a 50% interest in this LLC, which was formed to purchase land and subsequently construct a school building on the land. The 50% investment was accounted for using the equity method and was liquidated during fiscal year ended June 30, 2005 after plans the organization had of purchasing land for \$472,000 did not materialize. The Charter School liquidated its share of the investment in fiscal year ended June 30, 2005.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 7 – DUE TO/FROM BALANCES

Interfund balances consisted of the following as of June 30:

	2006	2005
Due from general fund	\$ 43,743	\$ 119,787
Due to special revenue fund	(43,743)	(119,787)
	\$	\$

The Charter School's due to/from balances is to cover temporary cash shortages between funds.

NOTE 8 – MORTGAGE NOTE

In the fiscal year ended June 30, 2005, the Charter School entered into a \$600,000 mortgage note payable agreement. The note is collateralized by a mortgage with 8% per annum interest. Principal and interest are due monthly for fifteen years. A summary of changes in long-term liabilities for the years ended June 30, 2006 and 2005 is as follows:

	Beginning Balance July 1, 2005	Additions	Reductions	Ending Balance June 30, 2006	Amount Due Within One Year
Mortgage Payable	\$ 599,192	\$	\$ (5,083)	\$ 594,109	\$ 5,505
Note Payable	40,000		(40,000)		
Total long-term liabilities	\$ 639,192	\$	\$ (45,083)	\$ 594,109	\$ 5,505

	Beginning Balance July 1, 2004	Additions	Reductions	Ending Balance June 30, 2005	Amount Due Within One Year
Mortgage Payable		\$ 600,000	\$ (808)	\$ 599,192	\$ 5,083
Note Payable	\$ 40,000			40,000	
Total long-term liabilities	\$ 40,000	\$ 600,000	\$ (808)	\$ 639,192	\$ 5,083

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 8 – MORTGAGE NOTE - Continued

Annual maturities on long-term debt as of June 30, 2006 are as follows:

Year Ending June 30	General Obligation		Total Requirement
	Principal	Interest	
2007	\$ 5,505	\$ 47,329	\$ 52,834
2008	5,961	46,873	52,834
2009	6,456	46,378	52,834
2010	6,992	45,842	52,834
2011	7,572	45,262	52,834
2012 - 2016	48,399	215,772	264,171
2017 - 2020	513,224	149,905	663,129
	<u>\$ 594,109</u>	<u>\$ 597,361</u>	<u>\$ 1,191,470</u>

NOTE 9 - LOANS PAYABLE

Loans payable consist of amounts borrowed from the Foundation for Florida's Future which were used to pay start-up costs of the Charter School. In fiscal year ended June 30, 2006, the Charter School received confirmation that the loan was forgiven. The loan was written off during fiscal year ended June 30, 2006.

NOTE 10 – RELATED PARTY TRANSACTIONS

The Charter School and the Urban League of Greater Miami, Inc. both had a 50% interest in the LLC at June 30, 2004. The President and CEO of the Urban League of Greater Miami, Inc. is the chairman of the board of the Charter School. Pursuant to the LLC's operating agreement, the Charter School's initial contribution was \$115,000 for a 50% interest in the LLC, while the Urban League of Greater Miami, Inc.'s initial capital contributions was \$350,000 for a 50% interest in the LLC. (See note 6 for further discussion of the investment in the LLC). In fiscal year ended June 30, 2005, the Charter School liquidated its share in the investment.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 11 – COMMITMENTS AND CONCENTRATIONS

a. Leases

The Charter School is obligated under a 12-month operating lease for various modular classroom units. Additionally, the Charter School leases various office equipment and office and classroom space.

The following is the minimum rental payment required under the operating leases:

2007	\$ 108,419
2008	102,301
2009	86,439
2010	75,785
2011	78,059
2012	<u>80,400</u>
Total future minimum payments	<u>\$ 531,403</u>

Rental expense for the years ended June 30, 2006 and 2005 was approximately \$148,000 and \$147,000, respectively.

b. Grantors

The Charter School receives a significant portion of its funding from public grants. A significant reduction in the level of this funding if this were to occur, would have an effect on the Charter School's ability to carry out its programs and activities.

Costs reflected in the accompanying financial statements relating to government funded programs are subject to audit by the Grantor. The possible disallowance by the Grantor of any item charged to the programs cannot be determined at this time. No provisions for any liability that may result has been made in the financial statements.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS - CONTINUED
JUNE 30, 2006 AND 2005**

NOTE 11 – SUBSEQUENT EVENT

The Charter School was co-defendant in a lawsuit filed by a parent on behalf of one of the Charter School's former students. The parent alleges improper classroom instruction by one of the Charter School's teachers. On July 28, 2006 the court ruled in favor of the plaintiff, and awarded the plaintiff approximately \$13,000 in damages. Management has decided not to appeal the ruling. The damages awarded to plaintiff are accrued and expensed in the Charter School's books during the year ended June 30, 2006.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER
REQUIRED BY THE RULES OF THE AUDITOR GENERAL OF
THE STATE OF FLORIDA**



S. DAVIS & ASSOCIATES, P.A.

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MANAGEMENT LETTER REQUIRED BY THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors
Liberty City Charter School Project, Inc.
Miami, Florida

We have audited the financial statements of the Liberty City Charter School Project, Inc. (the "Charter School") as of and for the fiscal year ended June 30, 2006, and have issued our report thereon dated August 15, 2006.

We have issued our Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters dated August 15, 2006. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards, and *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provision of Chapter 10.850, Rules of the Auditor General, which govern the conduct of Charter School's audits performed in the State of Florida and require that certain items be addressed in this letter.

- Corrective actions have been taken to address significant recommendations made in the preceding annual financial audit reports.
- The Charter School's total fund balance on the Balance Sheet and unrestricted net assets on the Statement of Net Assets reflect a deficit position, and the Charter School does not have sufficient resources available to cover the deficits. As such, the Charter School meets the condition described in Section 218.503(1)(e), Florida Statutes.
- There are no recommendations to improve the Charter School's present financial management, accounting procedures, and internal controls.
- There are no violations of laws, rules, regulations, contracts and grant agreements or abuse that: (1) have occurred, or are likely to have occurred; (2) were discovered within the scope of the financial audit; and (3) may or may not have materially affected the financial statements.

**MANAGEMENT LETTER REQUIRED BY THE RULES OF THE
AUDITOR GENERAL OF THE STATE OF FLORIDA – CONTINUED**

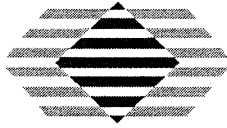
- There were no improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- There were no deficiencies in internal control that are reportable conditions, including, but not limited to: (1) improper or inadequate accounting procedures (e.g. the omission of required disclosures from the annual financial statements), and (2) failures to properly record financial transactions.
- There are no uncorrected findings or recommendations identified in the Management Letter Comments and Recommendations.
- The Liberty City Charter School was established pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes.

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

S. Davis & Associates, P.A.

Miami, Florida
August 15, 2006

**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*
JUNE 30, 2006**



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
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STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS***

To the Board of Directors
Liberty City Charter School Project, Inc.
Miami, Florida

We have audited the basic financial statements of the governmental activities and each major fund of Liberty City Charter School Project, Inc. (the "Charter School"), a component unit of the Miami-Dade County District School Board, as of and for the year ended June 30, 2006, and have issued our report thereon dated August 15, 2006. We conducted our audit in accordance with generally accepted auditing standards 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 Charter 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 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 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 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.

**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* – CONTINUED**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter 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 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 Miami-Dade County District School Board and the Auditor General of the State of Florida, and is not intended to be and should not be used by anyone other than these specified parties.

S. Davis & Associates, P.A.

Miami, Florida
August 15, 2006

LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER COMMENTS AND RECOMMENDATIONS
JUNE 30, 2006 AND 2005

PRIOR YEARS' COMMENTS

04-2 Improper Coding of Receivables

Condition

Certain receivables of the Charter School were recorded as expenses in the Charter School's general ledger.

Effect

The Charter School's expenses were overstated and receivables were understated. Additionally, reimbursements received were credited to income, which caused income to be overstated.

Recommendation

We recommend that the Charter School exercise more care in recording receivables such that receivables, income and expenses are more accurately reported.

Management's Response

Management concurs with the above findings. We will ensure that future postings and payments are properly recorded.

Current Year Status

Resolved.

04-3 Current Liabilities Exceed Current Assets

Condition

We noted that the current ratio (current assets/current liabilities) for the Charter School was 0.71 (\$129,956/\$182,987), and that its current level of funding from the School District is inadequate to meet current economic demands.

Effect

If this condition is not managed and brought under immediate control, the Charter School may be unable to meet its current obligations with current assets.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER AND RECOMMENDATIONS
JUNE 30 COMMENTS , 2004**

PRIOR YEARS' COMMENTS - CONTINUED

04-3 Current Liabilities Exceed Current Assets - Continued

Recommendation

We recommend that management take immediate steps to acquire supplementary funding.

Management's Response

Management concurs with the findings of the auditor. The School's Governing Board and Administration is developing a strategic plan to address the funding shortfall and to explore additional revenue streams for the School.

Current Year Status

Condition still exists; however, management is making strides at controlling expenses and related liabilities.

PRIOR YEARS' FINDINGS - REPORTABLE CONDITIONS

1. Lack of Segregation of Duties

Condition

We noted during our audit, that given the size of the Charter School, complete segregation of duties might not be feasible and cost effective. We noted, however, that one individual is responsible for purchasing, posting cash receipts, cash disbursements, printing checks and posting transactions to the general ledger.

Effect

Management's objectives may be impaired and the risk for irregularities is greater.

Recommendation

We recommend that someone independent of the cash receipts and disbursements functions perform the posting of transactions to the general ledger.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER AND RECOMMENDATIONS
JUNE 30 COMMENTS , 2004**

PRIOR YEARS' FINDINGS - REPORTABLE CONDITIONS - CONTINUED

1. Lack of Segregation of Duties - Continued

Management's Response

Management concurs with the above recommendation and will reorganize the financial operations of the Charter School to facilitate the above recommendation.

Current Year Status

Resolved. Management addressed this condition by segregating the duty of purchasing function from the disbursement function. The duty of preparation of cash receipts for posting is separate from the duty of actually posting each cash receipt. The printing of checks, and the posting of checks to the general ledger is an automated process. Management is also considering the feasibility of hiring a full-time Chief Financial Officer ("CFO") to help improve accounting systems and internal controls. While the size of the Charter School prohibits complete adherence to this concept, the segregation of duties has been achieved to the extent possible. As a result, this comment is no longer applicable.

2. Fixed Assets Register

Condition

We noted that the balances on the fixed assets register is not in agreement with the general ledger accounts for all category of fixed assets. Management explained that the Charter School is now in the process of developing a fixed assets register and it is difficult to ascertain the values of the assets purchased in prior years. Pursuant to the terms of the Charter School's contractual agreement, Part IV-Financial Accountability, Section A-School's contract is not renewed or is terminated, all property, improvements, furnishings, and equipment purchased with public funds or non-public funds, the assets will be considered to have been purchased with public funds and ownership of the assets will revert to the sponsor.

Effect

Failure to properly maintain a fixed assets register may result in inadequate internal controls over fixed assets. Also, the ownership of the assets may be reverted to the sponsor.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER AND RECOMMENDATIONS
JUNE 30 COMMENTS , 2004**

PRIOR YEARS' FINDINGS - REPORTABLE CONDITIONS - CONTINUED

2. Fixed Assets Register - Continued

Recommendation

We recommend that the fixed assets register be updated. The register should include the date of purchase, description of the asset, the cost, useful life of the asset, location of the asset and the depreciation charged to date. In addition, the fixed assets should be tagged for identification.

Management's Response

Management agrees that it is imperative to maintain a fixed assets register and will fully implement in 2006/2005 fiscal year.

Current Year Status

Resolved. The fixed asset register is complete as of the date of this report. Comment is no longer applicable.

3. Board of Directors

Condition

We noted during our audit that the Board of Directors held only one meeting during the year.

Effect

Board oversight is necessary to ensure that management objectives are achieved and are operating effectively. With lack of oversight by the Board of Directors, management objectives and compliance with State and County requirements may be overlooked.

Recommendation

We recommend that the Board take a more active role in overseeing the operations of the Charter School.

**LIBERTY CITY CHARTER SCHOOL PROJECT, INC.
MANAGEMENT LETTER AND RECOMMENDATIONS
JUNE 30 COMMENTS , 2004**

PRIOR YEARS' FINDINGS - REPORTABLE CONDITIONS - CONTINUED

3. Board of Directors - Continued

Management's Response

In an effort to ensure that the Board of Directors was in compliance with new State legislation requiring the fingerprinting of all Board of Director members, meetings were postponed until all Board members complied accordingly. Subsequent to year-end, all Board members have complied with the State legislation and a meeting schedule (subject to the approval of the Board of Directors) has been devised for the new school year.

Current Year Status

Resolved. During fiscal year 2006, we noted that five (5) board meetings were held. The Board is now taking a more active role in overseeing the Charter School's operations.

**LIBERTY CITY CHARTER SCHOOLS PROJECT, INC.
A CHARTER SCHOOL COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY
INFORMATION REGARDING CERTIFIED PUBLIC ACCOUNTANTS
JUNE 30, 2006**

CERTIFIED PUBLIC ACCOUNTANT INFORMATION

Certified Accountant's Name	S. Davis & Associates, P.A.
Certified Accountant's Address	1515 N.W. 167 th Street, Suite 135 Miami Gardens, Florida 33169
License Number	AD0016501
Status	Active
Expiration Date ;	12/31/06