

**CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)**

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2013

**CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)**

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1-2
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis (Unaudited)	3-8
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	9
Statement of Activities	10
FUND FINANCIAL STATEMENTS:	
Governmental Fund:	
Balance Sheet	11
Statement of Revenues, Expenditures and Changes in Fund Balance	12
Notes to Special Purpose Financial Statements	13-19
REQUIRED SUPPLEMENTARY INFORMATION (Unaudited)	
Budgetary Comparison Schedule	20
Notes to Budgetary Comparison Schedule	21
COMPLIANCE SECTION	
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 <i>Government Auditing Standards</i>	22-23
Management Letter Required by Chapter 10.850 Rules of the Auditor General of the State of Florida	24-25



CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Hialeah Educational Academy, Inc. (the "School") (a Special Revenue Fund of the City of Hialeah, Florida), as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Honorable Mayor and City Commissioners of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the major fund of the City of Hialeah Educational Academy, Inc., as of June 30, 2013, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the financial statements present only the City of Hialeah Educational Academy, Inc., a Special Revenue Fund of the City of Hialeah, Florida. These financial statements do not purport to, and do not, present fairly the financial position of the City of Hialeah, Florida as of June 30, 2013 and its changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 20 and 21 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2013 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP
Coral Gables, Florida
August 26, 2013

Management's Discussion and Analysis
City of Hialeah Educational Academy, Inc.
(A Special Revenue Fund of the City of Hialeah, Florida)
June 30, 2013

Our discussion and analysis of the City of Hialeah Educational Academy, Inc.'s (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2013. It should be read in conjunction with the School's special purpose financial statements which immediately follow this discussion.

Financial Highlights

1. The assets and deferred outflows of the School exceeded its liabilities and deferred inflows at June 30, 2013 by \$480,899 compared to \$568,315 as of June 30, 2012 (net position).
2. At June 30, 2013, the School had current assets on hand of \$201,469 compared to \$243,348 as of June 30, 2012 and current liabilities of \$110,292 compared to \$90,083. The decrease in current assets was due to decreases in receivables in 2013.
3. The net position of the School decreased by \$87,416 during 2013 compared to \$7,757 during the prior year. The decrease in the change in net position was due to projected student enrollment not being attained.
4. At June 30, 2013, the School reported \$91,177 of unassigned fund balance compared to \$153,265 as of June 30, 2012; a decrease of \$62,088.
5. The School's enrollment increased from 395 students at the end of 2012 to 448 at the end of 2013.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's special purpose financial statements. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the special purpose financial statements themselves.

Government-Wide Financial Statements

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

The *Statement of Net Position* presents information on all of the School's assets and deferred outflows and liabilities and deferred inflows. The difference between the two is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

The School only has one governmental fund; the General Fund. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term inflows* and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government’s requirements for near-term financing.

The City adopts an annual appropriated budget for School’s general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School’s budget.

The governmental fund financial statements can be found on pages 11 - 12 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 13 - 19 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, the net position may serve over time as a useful indicator of a charter school’s financial position. In the case of the School, assets exceeded liabilities by \$ 480,899 at the close of the fiscal year. A summary of the School’s net position as of June 30, 2013:

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
Cash	\$ 187,530	\$ 172,919	\$ 14,611	8%
Receivable and other	13,939	70,429	(56,490)	-80%
Capital Assets, net	<u>389,722</u>	<u>405,050</u>	<u>(15,328)</u>	<u>-4%</u>
Total Assets	<u>591,191</u>	<u>648,398</u>	<u>(57,207)</u>	<u>-9%</u>
Current liabilities	<u>110,292</u>	<u>90,083</u>	<u>20,209</u>	<u>22%</u>
Investment in Capital Assets	389,722	415,050	(25,328)	-6%
Unrestricted	<u>91,177</u>	<u>153,265</u>	<u>(62,088)</u>	<u>-41%</u>
Total Net Position	<u>\$ 480,899</u>	<u>\$ 568,315</u>	<u>\$ (87,416)</u>	<u>-15%</u>

At the end of the year, the School is able to report positive balances in total net position.

A summary and analysis of the School's revenues and expenses for the fiscal year ended June 30, 2013 follows.

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
REVENUES				
Program Revenues				
Operating Grants and Contributions	\$ 243,135	\$ 245,253	\$ (2,118)	-1%
Capital Grants and Contributions	164,901	204,106	(39,205)	-19%
Charges for Services	9,792	26,713	(16,921)	-63%
General Revenues				
FTE nonspecific revenues	2,539,088	2,167,040	372,048	17%
Miscellaneous	-	-	-	0%
Total Revenues	<u>2,956,916</u>	<u>2,643,112</u>	<u>313,804</u>	<u>12%</u>
EXPENSES				
Instruction	1,572,082	1,338,008	234,074	17%
Instructional Staff Training Services	19,978	13,506	6,472	48%
Board	8,458	7,850	608	8%
School Administration	587,308	518,704	68,604	13%
Facilities acquisition and construction	13,704	10,342	3,362	33%
Fiscal Services	67,200	59,166	8,034	14%
Food Services	199,476	167,467	32,009	19%
Central Services	82,206	75,916	6,290	8%
Operation of Plant	466,359	415,648	50,711	12%
Maintenance of Plant	27,561	28,550	(989)	-3%
Community Services	-	198	(198)	>100
Total Expenses	<u>3,044,332</u>	<u>2,635,355</u>	<u>408,977</u>	<u>169%</u>
Increase in Net Position	(87,416)	7,757	(95,173)	-1227%
Net Position at Beginning of Year	<u>568,315</u>	<u>560,558</u>	<u>7,757</u>	<u>1%</u>
Net Position at End of Year	<u>\$ 480,899</u>	<u>\$ 568,315</u>	<u>\$ (87,416)</u>	<u>-15%</u>

The School's revenue and expenses increased by \$313,804 and \$408,977, respectively, as a result of an increase in student enrollment and rent paid to the City of Hialeah. Student enrollment increased for 2013 by approximately 50 students. The School had a decrease in net position of \$87,416 as the School did not reach their projected enrollment.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

The focus of the School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The School only has one governmental fund. The following is a financial analysis of the governmental funds:

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
Cash	\$ 187,530	\$ 172,919	\$ 14,611	8%
Receivable and other	<u>13,939</u>	<u>70,429</u>	<u>(56,490)</u>	<u>-80%</u>
Total Assets	<u>201,469</u>	<u>243,348</u>	<u>(41,879)</u>	<u>-17%</u>
Liabilities	<u>110,292</u>	<u>90,083</u>	<u>20,209</u>	<u>22%</u>
Unassigned Fund Balance	<u>\$ 91,177</u>	<u>\$ 153,265</u>	<u>\$ (62,088)</u>	<u>-41%</u>

The Management's Discussion and Analysis continues on the next page.

At the end of the fiscal year, the School's governmental fund reported a fund balance of \$91,177, a decrease of \$62,088 from the prior year. Assets and liabilities decreased and increased, respectively, for the same reasons explained in the highlights of the government-wide financial statements.

	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>%</u>
REVENUES				
Local Sources	\$ 2,703,989	\$ 2,371,146	\$ 332,843	14%
Federal through state	243,135	245,253	(2,118)	-1%
Charges for services	9,792	26,713	(16,921)	-63%
Miscellaneous	-	-	-	0%
Total Revenues	<u>2,956,916</u>	<u>2,643,112</u>	<u>313,804</u>	<u>-50%</u>
EXPENSES				
Instruction	1,445,088	1,210,993	234,095	19%
Instructional Staff Training Services	19,978	13,506	6,472	48%
Board	8,458	7,850	608	8%
School Administration	582,572	514,094	68,478	13%
Fiscal Services	67,200	59,166	8,034	14%
Facilities acquisition and construction	-	-	-	0%
Food Services	198,922	167,053	31,869	19%
Central Services	82,206	75,916	6,290	8%
Operation of Plant	451,297	404,501	46,796	12%
Maintenance of Plant	27,386	28,373	(987)	-3%
Community Services	-	198	(198)	>100%
Capital Outlay	<u>135,897</u>	<u>107,049</u>	<u>28,848</u>	<u>27%</u>
Total Expenses	<u>3,019,004</u>	<u>2,588,699</u>	<u>430,305</u>	<u>164%</u>
Net Change in Fund Balance	(62,088)	54,413	(116,501)	-214%
Fund Balance Beginning of Year	<u>153,265</u>	<u>98,852</u>	<u>54,413</u>	<u>55%</u>
Fund Balance End of Year	<u>\$ 91,177</u>	<u>\$ 153,265</u>	<u>\$ (62,088)</u>	<u>-41%</u>

Revenues and expenditures for the governmental fund increased for the same reasons described above for the government wide financial statements.

Capital Assets and Debt Administration

The School's investment in capital assets as of June 30, 2013 amounts to \$389,722 (net of accumulated depreciation) as compared to \$415,000 (net of accumulated depreciation) as of June 30, 2012. Major capital asset additions in the current year included new furniture, equipment and improvements. Decrease is due to depreciation expense. For more information on capital assets see Note 3 on pages 17 and 18.

The School has no outstanding debt.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the City adopted an annual budget for the School. A budgetary comparison schedule has been provided for the governmental funds to demonstrate compliance with the School's budget and it is reported on page 20. The main decrease in revenue in the final budget to the original budget was due to a decrease in funding received by the School, as the original budget was prepared using a higher anticipated enrollment figure. Instructional and administrative expenditures increased due to staff and administration increase to accommodate the addition of 6th grade and additional projected student increase.

ACCOMPLISHMENTS

In 2013 The City of Hialeah Educational Academy High School (COHEA) successfully completed its fifth year of operation. Based on the 2013 standardized assessment results, COHEA students achieved a 20-percentage point increase in reading proficiency compared to 2012. The school also increased overall student learning gains in Reading to 80%, a 6-percentage point increase compared to the previous year. Based on the most recent data available, the school expects to receive its third consecutive grade of "A" under the State of Florida Accountability Program. While serving predominantly minority and economically disadvantaged students, the school had a 96% at-risk graduation rate in 2013. In addition, 100% of seniors enrolled in the Fire Academy graduated with CPR, First Responder and Emergency Vehicle Operator Certifications.

In the spring of 2013, COHEA received the prestigious "School of the Year" Award by the City of Hialeah as a testament to its academic excellence and its service to the community. The school also received national recognition by *Newsweek Magazine*, having ranked as one of the "Best High Schools in America."

COHEA offers a cutting-edge, 6-12th grade seamless college preparatory curriculum with an emphasis on Emergency Response, Health, and Law Enforcement Careers. Located in a college-style campus, the school features a technology-rich environment where highly-qualified, certified instructors prepare students for employment within a multilingual work environment. COHEA is committed to setting an environment that strives for academic achievement, develops character and maintains the goal of preparing students to serve and give back to their community in the field of public service

The School is fully accredited by AdvancEd (formerly known as the Southern Association of Colleges and Schools).

REQUEST FOR INFORMATION

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6340 Sunset Drive, Miami, Florida, 33143.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)

STATEMENT OF NET POSITION
JUNE 30, 2013

<u>ASSETS</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 187,530
Receivable	8,098
Prepaid	5,841
Total current assets	<u>201,469</u>
Non-current assets:	
Capital assets, depreciable	901,806
Less: accumulated depreciation	<u>(512,084)</u>
Total non-current assets	<u>389,722</u>
Total assets	<u>591,191</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	15,415
Accrued payroll	<u>94,877</u>
Total current liabilities	<u>110,292</u>
<u>NET POSITION</u>	
Investment in capital assets	389,722
Unrestricted	<u>91,177</u>
Total net position	<u>\$ 480,899</u>

See notes to special purpose financial statements.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	
<u>Functions/programs</u>					
Governmental activities:					
Instruction	\$ 1,572,082	\$ -	\$ 80,129	\$ -	\$ (1,491,953)
Instructional staff training services	19,978	-	-	-	(19,978)
Board	8,458	-	-	-	(8,458)
School administration	587,308	-	-	-	(587,308)
Facilities acquisition and construction	13,704	-	-	-	(13,704)
Fiscal services	67,200	-	-	-	(67,200)
Food services	199,476	9,792	163,006	-	(26,678)
Central services	82,206	-	-	-	(82,206)
Operation of plant	466,359	-	-	164,901	(301,458)
Maintenance of plant	27,561	-	-	-	(27,561)
Total governmental activities	3,044,332	9,792	243,135	164,901	(2,626,504)
General revenues:					
FTE nonspecific revenues					2,539,088
Total general revenues					2,539,088
Change in net position					(87,416)
Net position, Beginning					568,315
Net position, Ending					\$ 480,899

See notes to special purpose financial statements.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)

BALANCE SHEET
 GOVERNMENTAL FUND
 JUNE 30, 2013

<u>ASSETS</u>		
Cash		\$ 187,530
Receivable		8,098
Prepaid		5,841
Total assets		<u>\$ 201,469</u>
<u>LIABILITIES</u>		
Accounts payable		\$ 15,415
Accrued payroll		94,877
Total liabilities		<u>110,292</u>
<u>FUND BALANCE</u>		
Unassigned		<u>91,177</u>
Total fund balance		<u>91,177</u>
Amounts reported for governmental activities in the statement of net assets are different as a result of:		
Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.		<u>389,722</u>
Net position of governmental activities		<u>\$ 480,899</u>

See notes to special purpose financial statements.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Revenues:	
Local sources	\$ 2,703,989
Federal through state	243,135
Charges for services	<u>9,792</u>
Total revenues	<u>2,956,916</u>
Expenditures:	
Current:	
Instruction	1,445,088
Instructional staff training services	19,978
Board	8,458
School administration	582,572
Fiscal services	67,200
Food services	198,922
Central services	82,206
Operation of plant	451,297
Maintenance of plant	27,386
Capital outlay	<u>135,897</u>
Total expenditures	<u>3,019,004</u>
Net change in fund balance	<u>(62,088)</u>
Fund balance - Beginning	<u>153,265</u>
Fund balance - Ending	<u>91,177</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total governmental fund	(62,088)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.	
Add current year capital outlays	135,897
Less current year depreciation	<u>(161,225)</u>
Change in net position of governmental activities	<u>\$ (87,416)</u>

See notes to special purpose financial statements

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.

**(A Special Revenue Fund of the City of Hialeah, Florida)
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2013**

Note 1 Organization and Operations

Nature of operations

City of Hialeah Educational Academy, Inc. (the "School") is a Florida nonprofit organization established in July 2008 by the City of Hialeah, Florida (the "City") to operate a charter school. A charter from the Miami-Dade County Public School District (the "District") was granted to the City to operate the charter school which offers a career oriented curriculum for grades nine through twelve. The School, which is reported as a special revenue fund of the City, is funded from public funds based on enrollment and is also eligible for grants in accordance with State and Federal guidelines, including food service and capital outlay.

The School is reported as a special revenue fund of the City of Hialeah, Florida. The financial statements of the School present only the balances, activity, and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2013, and its changes in financial position or budgetary comparisons, where applicable, for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

Enrollment and Grade Configuration

<u>School Name and Address</u>	<u>Location No.</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
City of Hialeah Educational Academy 2590 W 76th Street, Hialeah, FL 33016	7262	6 th , 9 th , 10 th , 11 th , 12 th	448	Carlos O. Alvarez

The School is governed by an Oversight Committee which was established by City Ordinance 08-48. The Oversight Committee is composed of the City's Mayor and all seven councilmembers. The members of the Oversight Committee also serve as the Board of Directors of the School.

Oversight Committee

- Carlos Hernandez – Chair (Mayor of the City of Hialeah)
- Isis Garcia Martinez – Vice Chair (City Council President of the City of Hialeah)
- Luis Gonzalez – Secretary/Treasurer (City Council Vice President of the City of Hialeah)
- Jose F. Caragol (City Council Member of the City of Hialeah)
- Vivian Casals-Muñoz (City Council Member of the City of Hialeah)
- Paul B. Hernandez (City Council Member of the City of Hialeah)
- Lourdes Lozano (City Council Member of the City of Hialeah)
- Katherine Cue (City Council Member of the City of Hialeah)

Note 2 Summary of Significant Accounting Policies

A summary of the School's significant accounting policies is as follows:

a. Reporting entity

The School operates under a charter granted to the City by the sponsoring school district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 2028. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the 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 for good cause as defined in the charter agreement. The School is reported as a special revenue fund of the City of Hialeah, Florida.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exists for which the School is financially accountable which would require inclusion in the School's basic financial statements.

b. Basis of presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits for States and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

c. Government-wide financial statements

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all current and noncurrent assets and all current and noncurrent liabilities. The School's net position is reported in two (2) categories: investment in capital assets and unrestricted net position.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are supported by general revenues. The statement of activities reduces gross expenses by related program revenues. Program revenues must be directly associated with the function. Operating grants include operating- specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

d. Fund financial statements

The School's accounts are organized on the basis of funds. The operations of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

The Charter School Special Revenue Fund is a governmental fund type and is used to account for all of the School's financial transactions.

e. Measurement focus and basis of accounting

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the special purpose financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within two (2) months of the end of the current fiscal year. Intergovernmental revenues are recognized when all eligibility requirements have been met, if available. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences are recorded only when paid from expendable available financial resources.

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

f. Deposits and Investments

The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash. The School's cash and cash equivalents include cash on hand which are not subjected to withdrawal restrictions and an overnight repurchase agreement. The deposits, including the overnight repurchase agreement, are held in the name of the School.

The School maintains its cash accounts with two financial institutions. The School's accounts at these institutions, at times, may exceed the federally insured limit. The School maintains these deposits with major financial institutions which mitigates this risk. As June 30, 2013 there were no deposits which exceeded federally insured limits.

g. Capital assets

Capital assets purchased or acquired with an original cost of \$500 or more are capitalized at historical cost or estimated historical cost. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is provided on the straight-line basis over the respective estimated useful lives ranging from 3 to 15 years.

Capital assets are reported in the government-wide financial statements. Within governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

h. Income taxes

The School is a nonprofit corporation whose revenues is derived primarily from governmental entities and is also controlled by a governmental entity (the City of Hialeah, Florida). The School is tax-exempt under Section 501(c)(3) of the Internal Revenue Code and is subject to a tax on income from any unrelated business.

The School did not have any unrelated business income. The School adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The School has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The School believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the School's financial condition, results of operations or cash flows. Accordingly, the School has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2013.

The School is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The School believes it is no longer subject to income tax examinations for years prior to 2010.

The School's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

i. Equity classifications

Government-wide financial statements

Equity is classified as net position and displayed in three (3) components:

- a. Net investment in capital assets— consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets. As of June 30, 2013, the School did not have any outstanding debt.
- b. Restricted net position – consists of components of net position with constraints placed on its use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There were no restricted components of net position.
- c. Unrestricted net position – all other components of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance

As of June 30, 2013, fund balance of the governmental fund is classified as follows:

- a. **Non-spendable** — Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.
- b. **Restricted** — Amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- c. **Committed** — Amounts that can be used only for specific purposes determined by a formal action of the Oversight Committee. The Oversight Committee is the highest level of decision-making authority for the School. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Oversight Committee.
- d. **Assigned** — Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.
- e. **Unassigned** — All other spendable amounts

As of June 30, 2013, the School's total fund balance was unassigned.

j. Compensated absences

The School grants a specific number of days of sick/personal leave. Full time instructional employees are eligible to one day per month up to ten days of active work during the ten-month period. Employees wishing to carry forward unused days, at year end, may do so. The employees may only cash out if they have used three days or less of their sick and personal days in that school year and there must be a balance of twenty-one days remaining in the sick bank in order to cash out. The employees cannot cash out more than ten days per school year and are required to always maintain a minimum of ten days of unused sick days. The cash out value is eighty percent of their daily rate. Upon termination, sick pay is not paid out. The School has no accrued compensated absences as of June 30, 2013.

k. State funding (primary source of revenue)

Student funding is provided by the State of Florida through the School Board of Miami-Dade County, Florida. Such funding is recorded as Full-Time Equivalent (“FTE”) nonspecific revenue. In accordance with the Charter Agreement, the School Board retains 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of FTE reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year’s errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

l. Use of Estimates

The preparation of financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States of America. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. These estimates include assessing the collectability of receivables, and the useful lives and impairment of tangible assets. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statement in the period they are determined to be necessary. Although these estimates are based on management’s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Note 3 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Governmental activities				
Leasehold improvements	\$ 87,137	\$ 28,565	\$ -	\$ 115,702
Furniture, equipment, and textbooks	<u>678,772</u>	<u>107,332</u>	<u>-</u>	<u>786,104</u>
Total capital assets being depreciated	<u>765,909</u>	<u>135,897</u>	<u>-</u>	<u>901,806</u>
Less accumulated depreciation for:				
Furniture, equipment, and textbooks	<u>(350,859)</u>	<u>(161,225)</u>	<u>-</u>	<u>(512,084)</u>
Total capital assets being depreciated, net	<u>415,050</u>	<u>(25,329)</u>	<u>-</u>	<u>389,722</u>
Governmental activities capital assets, net	<u>\$ 415,050</u>	<u>\$ (25,329)</u>	<u>\$ -</u>	<u>\$ 389,722</u>

Depreciation expense for the fiscal year ended June 30, 2013 was \$161,225 and was charged to the Instruction (\$126,994), School Administration (\$4,736), Facilities Acquisition (\$13,704), Food Services (\$554), Operation of Plant (\$15,062) and Maintenance (\$175) of Plant function/programs of the School.

Note 4 Defined Contribution Plan

The School contributes to a defined contribution plan, created in accordance with Internal Revenue Code Section 401(k). The plan covers full-time employees of the School. Under the plan, the School provides a match of 50% up to 4% of employee salary.

The plan's assets are administered by Mass Mutual Financial Group. The School does not exercise any control or fiduciary responsibility over the plan's assets. The School contributed \$190,393 for the fiscal year ended June 30, 2013.

Note 5 Commitments and Contingencies

a. Management Agreement

The City has a contract with Academica Dade, LLC ("Academica") for administrative and educational management services for the operations of the School. The contract expires in June 2014 and shall be renewed with the School's charter agreement unless terminated by the City's Oversight Committee. The contract provides for a management fee of \$450 per student Full Time Equivalent (FTE). Total fees paid to the management company for fiscal year ended June 30, 2013 were \$201,609.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

- Fernando Zulueta, President
- Ignacio Zulueta, Vice President
- Magdalena Fresen, Vice President and Treasurer
- Collette Papa, Secretary

b. Funding

The School receives funding from the District which is received from the State of Florida that is based, in part on a computation of the number of full time equivalent (FTE) students enrolled in the School. The accuracy of the data provided by the School supporting the FTE count is subject to state audit and, if found to be in error, could result in refunds or in decreases in future funding allocations.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable School.

It is the opinion of management that the amount of revenue which may be remitted back to the State due to errors in the FTE count or amount of grant expenditures which may be disallowed by granting agencies, if any, will not be material to the financial position of the School.

Note 6 Related Party Transactions

On June 30, 2011, the School entered into a facilities lease agreement with the City which calls for an annual base rent equal to \$500 for each student enrolled in the School. The base rent is to be paid in equal monthly installments, plus payments of insurance and utilities. The lease also calls for an annual usage fee of \$88,580 for the use of City services and park facilities payable in equal monthly installments. The usage fee increases at 3% per year. The term of the lease is three years ending on August 31, 2014. The School paid the City \$224,010 in rent and the usage fee of \$91,237 for the fiscal year ended June 30, 2013.

Note 7 Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. There have been no claims in excess of insurance coverage limits during the past three years.

The School has contracted the services of a Professional Employer Organization which provides, at the direction of the School, human resource services, a comprehensive benefits and retirement package to all School employees. Under its co-employment agreement with the School, the Professional Employer Organization is the employer of record. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. School employees can only be removed, dismissed, or transferred by the Oversight Committee.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive/(Negative)
	Original	Final		
Revenues:				
Local sources	\$ 2,968,000	\$ 2,687,537	\$ 2,703,989	\$ 16,452
Federal through state	155,000	233,000	243,135	10,135
Charges for services	-	-	9,792	9,792
Total revenues	<u>3,123,000</u>	<u>2,920,537</u>	<u>2,956,916</u>	<u>36,379</u>
Expenses:				
Current:				
Instruction	1,450,000	1,450,000	1,445,088	4,912
Instructional staff training services	3,000	20,000	19,978	22
Board	10,000	10,000	8,458	1,542
School administration	500,000	585,000	582,572	2,428
Fiscal services	76,000	70,000	67,200	2,800
Food services	155,000	200,000	198,922	1,078
Central services	90,000	85,000	82,206	2,794
Operation of plant	395,170	455,000	451,297	3,703
Maintenance of plant	25,000	30,000	27,386	2,614
Capital outlay	180,000	138,000	135,897	2,103
Total expenditures	<u>2,884,170</u>	<u>3,043,000</u>	<u>3,019,004</u>	<u>23,996</u>
Change in fund balance	<u>\$ 238,830</u>	<u>\$ (122,463)</u>	<u>\$ (62,088)</u>	<u>\$ 60,375</u>

See notes to budgetary comparison schedule.

CITY OF HIALEAH EDUCATIONAL ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013

Note A.

The School formally adopted a budget for the fiscal year ended June 30, 2013. Budgeted amounts may be amended by resolution or ordinance by the City Commission. The budget has been prepared in accordance with the accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the budgeted amounts for the School is presented as supplementary information.

Note B.

For the fiscal year ended June 30, 2013, there were supplemental appropriations totaling \$158,830 which were funded with additional local sources received.



Alberni, Caballero
& Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

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

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in the *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the City of Hialeah Educational Academy, Inc. (the "School") (a Special Revenue Fund of the City of Hialeah, Florida) as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 26, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weakness or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP
Coral Gables, Florida
August 26, 2013



Alberni, Caballero
& Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

4649 PONCE DE LEON BLVD.
SUITE 404
CORAL GABLES, FL 33146
TEL: 305-662-7272
FAX: 305-662-4266
ACC-CPA.COM

MANAGEMENT LETTER REQUIRED BY CHAPTER 10.850 RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

We have audited the financial statements of the governmental activities and major fund of the City of Hialeah Educational Academy, Inc. (the "School"), (a Special Revenue Fund of the City of Hialeah, Florida), as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated August 26, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 26, 2013, should be considered in conjunction with this management letter.

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

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and/or recommendations made in the preceding annual financial audit report.
2. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
3. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have such recommendations.

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Educational Academy, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)

4. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the school. The official title of the entity is City of Hialeah Educational Academy, Inc.
6. Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Mayor, Council Members, School's management, and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than those specified parties.

Alberni Caballero & Company, LLP

Alberni Caballero & Company, LLP
Coral Gables, Florida
August 26, 2013