

BALERE LANGUAGE ACADEMY

A Charter School and Component Unit of the
District School Board of Miami-Dade County

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2007

KING & WALKER, CPAs, PL

Certified Public Accountants

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BALERE LANGUAGE ACADEMY

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Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information

To the Board of Directors
Balere Language Academy:

We have audited the accompanying basic financial statements of the governmental activities and each major fund and aggregate remaining funds of Balere Language Academy ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2007, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express 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 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 audit provides a reasonable basis for our opinion.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Balere Language Academy as of June 30, 2007, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 31, 2007, on our consideration of the Balere Language Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other matters included under the heading ***Independent Auditor's 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***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. 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 thereon.

Respectfully submitted,

King & Walker, CPAs, PC

August 31, 2007

Tampa, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Balere Language Academy ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2007.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 20.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2007, the School's expenses exceeded revenues as shown on the School's statement of activities by \$74,212.
- Overall, revenues increased by \$71,890, due primarily to increased enrollment.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund, Special Revenue Funds for school food service and Federal programs, and a School internal account's fund. For reporting purposes the General Fund is a major fund and the remaining funds are aggregated.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2007:

	Net Assets, End of Year		
	Governmental Activities		
	6-30-06	6-30-07	Increase (Decrease)
ASSETS			
Current and Other Assets	\$292,431	\$151,502	\$ (140,929)
Capital Assets, net	10,079	16,574	6,495
Total Assets	<u>302,510</u>	<u>168,076</u>	<u>(134,434)</u>
LIABILITIES			
Current Liabilities	<u>117,619</u>	<u>57,397</u>	<u>(60,222)</u>
Total Liabilities	<u>117,619</u>	<u>57,397</u>	<u>(60,222)</u>
NET ASSETS			
Invested in Capital Assets	10,079	16,574	6,495
Unrestricted	<u>174,812</u>	<u>94,105</u>	<u>(80,707)</u>
Total Net Assets	<u>184,891</u>	<u>110,679</u>	<u>(74,212)</u>
Total Liabilities and Net Assets	<u>\$302,510</u>	<u>\$168,076</u>	<u>\$ (134,434)</u>

The key elements of the changes in the School's net assets for the fiscal year ended and June 30, 2007 is as follows:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-06</u>	<u>6-30-07</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal sources	\$ 166,993	\$ 61,139	\$ (105,854)
State and Local sources	806,111	945,453	139,342
Grants, Contributions and Other	109,908	148,310	38,402
Total Revenues	<u>1,083,012</u>	<u>1,154,902</u>	<u>71,890</u>
Expenses:			
Instruction	469,316	591,982	122,666
Pupil Personnel Services	-	-	-
Instructional Media	-	-	-
Instr. & Curriculum Development	1,014	4,453	3,439
Instructional Staff Development	275	3,000	2,725
Board of Education	64,596	67,560	2,964
School Administration	130,704	134,850	4,146
Facilities Acq. & Construction	73,200	98,670	25,470
Fiscal Services	41,297	43,797	2,500
Food Services	20,655	34,527	13,872
Pupil Transportation	24,085	40,271	16,186
Operation of Plant	43,456	63,717	20,261
Maintenance of Plant	4,188	5,624	1,436
Community Services	85,718	140,663	54,945
Total Expenses	<u>958,504</u>	<u>1,229,114</u>	<u>270,610</u>
Increase/(Decrease) in Net Assets	<u>\$ 124,508</u>	<u>\$ (74,212)</u>	<u>\$ (198,720)</u>

The largest revenue source for the School is the State of Florida (80 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

Expenses increased in Instruction primarily due to an increase in instructional staffing levels due to increased enrollment.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$94,105.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2007, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures were approximately equal to what was originally anticipated.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2007, amounts to \$16,574 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, leasehold improvements and assets under capital lease. Additional information regarding the School's capital assets can be found in note 2 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Balere Language Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Financial Services, Inc., P.O. Box 130, Bonifay, FL 32425.

BALERE LANGUAGE ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD

STATEMENT OF NET ASSETS
June 30, 2007

	<u>Government Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash & Cash Equivalents	\$ 125,574
Prepaid Expenses	20,378
Deposits	5,550
Total Current Assets	<u>151,502</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	16,574
Total Capital Assets, Net	<u>16,574</u>
TOTAL ASSETS	<u>\$ 168,076</u>
<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 2,886
Salaries & Wages Payable	54,511
TOTAL CURRENT LIABILITIES	<u>57,397</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	16,574
Unrestricted	94,105
Total Net Assets	<u>110,679</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 168,076</u>

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

BALERE LANGUAGE ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2007

	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 591,982	\$ 15,784	\$ 46,927	\$ -	\$ (529,271)	\$ (529,271)
Pupil Personnel Services						
Instructional Media	4,453		3,808		(645)	(645)
Instruction & Curriculum Development	3,000				(3,000)	(3,000)
Instructional Staff Training	67,560		385		(67,175)	(67,175)
Board of Education	134,850		4,374		(130,476)	(130,476)
School Administration	98,670				(98,670)	(98,670)
Facilities Acquisition & Construction	43,797		5,598		(38,199)	(38,199)
Fiscal Services	34,527	6,019			(28,508)	(28,508)
Food Services						
Central Services						
Pupil Transportation	40,271				(40,271)	(40,271)
Operation of Plant	63,717				(63,717)	(63,717)
Maintenance of Plant	5,624				(5,624)	(5,624)
Community Services	140,663	137,811			(2,852)	(2,852)
Total Governmental Activities	<u>\$ 1,229,114</u>	<u>\$ 159,614</u>	<u>\$ 61,092</u>	<u>\$ -</u>	<u>(1,008,408)</u>	<u>(1,008,408)</u>
General Revenues:						
State and Local sources					923,697	923,697
Grants and Contributions not restricted to specific program					-	-
Other					10,499	10,499
					<u>934,196</u>	<u>934,196</u>
Change in Net Assets					(74,212)	(74,212)
Net Assets - July 1, 2006					184,891	184,891
Net Assets - June 30, 2007					<u>\$ 110,679</u>	<u>\$ 110,679</u>

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

**BALERE LANGUAGE ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD**

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2007

	General Fund	Other Funds	TOTAL
ASSETS			
Cash & Cash Equivalents	\$ 107,029	\$ 18,545	\$ 125,574
Due From Other Funds		164	164
Prepaid Expenses	20,378		20,378
Deposits	5,550		5,550
Total Assets	\$ 132,957	\$ 18,709	\$ 151,666
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 1,978	\$ 908	\$ 2,886
Salaries & Wages Payable	54,511		54,511
Due To Other Funds	164		164
Total Liabilities	56,653	908	57,561
Fund Balances:			
Undesignated	76,304	17,801	94,105
Total Fund Balances	76,304	17,801	94,105
Total Liabilities and Fund Balance	\$ 132,957	\$ 18,709	\$ 151,666

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

**BALERE LANGUAGE ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2007

Total Fund Balances - Governmental Funds \$ 94,105

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

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.

16,574

Total Net Assets - Governmental Activities

\$ 110,679

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

BALERE LANGUAGE ACADEMY
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 Fiscal Year Ended June 30, 2007

	General Fund	Other Funds	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Through Local	\$ -	\$ 61,092	\$ 61,092
State and Local	939,481	6,019	945,500
Contributions and Other	10,499	137,811	148,310
Total Revenues	<u>949,980</u>	<u>204,922</u>	<u>1,154,902</u>
Expenditures			
Current - Education:			
Instruction	\$ 547,240	\$ 38,770	\$ 586,010
Pupil Personnel Services			-
Instructional Media			-
Instruction & Curriculum Development	645	3,808	4,453
Instructional Staff Training	3,000		3,000
Board of Education	67,176	385	67,561
School Administration	130,476	4,374	134,850
Facilities Acquisition & Construction	98,670		98,670
Fiscal Services	38,198	5,598	43,796
Food Services		34,527	34,527
Central Services			-
Pupil Transportation	40,271		40,271
Operation of Plant	63,715		63,715
Maintenance of Plant	5,627		5,627
Community Services		140,662	140,662
Fixed Capital Outlay:			
Other Capital Outlay	4,310	8,157	12,467
Total Expenditures	<u>999,328</u>	<u>236,281</u>	<u>1,235,609</u>
Excess (Deficiency) of Revenues Over Expenditures	(49,348)	(31,359)	(80,707)
Other Financing Sources/(Uses):			
Operating Transfers In/(Out)	(61,485)	61,485	-
Total Other Financing Sources/(Uses)	<u>(61,485)</u>	<u>61,485</u>	<u>-</u>
Net Change in Fund Balances	<u>(110,833)</u>	<u>30,126</u>	<u>(80,707)</u>
Fund Balances, July 1, 2006	187,137	(12,325)	174,812
Fund Balances, June 30, 2007	<u>\$ 76,304</u>	<u>\$ 17,801</u>	<u>\$ 94,105</u>

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

**BALERE LANGUAGE ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2007***

Net Change in Fund Balances - Governmental Funds \$ (80,707)

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

Capital outlays are reported in governmental funds 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 of capital outlays in excess of depreciation expense
in the current period.

6,495

Change in Net Assets - Governmental Activities

\$ (74,212)

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

BALERE LANGUAGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Balere Language Academy ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida, ("District"). The current charter has been renewed and is effective until June 30, 2014 and is subject to annual review and may be renewed by mutual agreement between the School and the District. 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 this 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 if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting

**BALERE LANGUAGE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental fund is as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

**BALERE LANGUAGE ACADEMY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2007

➤ **Deposits and Investments**

Cash deposits consist of demand deposits and a certificate of deposit with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$100,000.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 11011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section

BALERE LANGUAGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2007, the School reported 150.06 unweighted FTE and 158.59 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044 FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503 FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503 FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411 FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC)

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principals in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

BALERE LANGUAGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2007

2. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	<u>Balance</u> 07/01/06	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/07
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$12,769	\$12,467	\$ -	\$25,236
Total Capital Assets Being Depreciated	12,769	12,467	-	25,236
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(2,690)	(5,972)	-	(8,662)
Total Accumulated Depreciation	(2,690)	(5,972)	-	(8,662)
Governmental Activities Capital Assets, net	<u>\$10,079</u>	<u>\$ 6,495</u>	<u>\$ -</u>	<u>\$16,574</u>

Depreciation expense was charged to functions as follows:

<u>Governmental Activities:</u>	<u>Amount</u>
Instruction	\$ 5,972
Total governmental activities depreciation expense	<u>\$ 5,972</u>

3. OPERATING LEASE COMMITMENTS

The School leases office equipment with future lease payments. The following is a schedule by years of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year:

<u>Fiscal Year Ending June 30:</u>	<u>Amount</u>
2008	\$ 5,460
2009	5,460
2010	5,460
2011	455
Total Minimum Payments Required	<u>\$ 16,835</u>

4. FACILITY LEASES

The School leases its educational facility under a noncancelable operating lease. The School entered into a new lease beginning July 15, 2007 through June 4, 2010. This lease can be renewed for an additional three year period at an annual increase of 3 percent and requires the School to pay insurance and other costs. Rental expenditures under this lease agreement for the 2006-07 fiscal year were \$76,420.

The following is a schedule by years of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year:

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NOTES TO FINANCIAL STATEMENTS
June 30, 2007

Fiscal Year Ending June 30:	Amount
2008	78,712
2009	81,073
2010	83,505
Total Minimum Payments Required	243,290

The School entered in to a lease for addition classroom space under an annual lease agreement for the period beginning August 1, 2006 and ending July 31, 2007. The lease provides for an option to extend the lease an additional 12 months with the same terms. In addition, the lease provides for a purchase option to the School at the current market value or if the property is sold to a third party, the School will renegotiate the lease with the new owners or vacate the property within 120 days. Rental expenses under this lease agreement for the 2006-07 fiscal year were \$20,350.

5. SCHEDULE OF STATE & LOCAL REVENUE SOURCES

The School's State and local revenue for the 2006-07 fiscal year is as follows:

Source	Amount
<i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 637,317
Categorical Educational Programs:	
Class Size Reduction	121,313
Supplementary Academic Instruction	57,224
Instructional Materials	14,977
Transportation	8,950
Lottery Allocation	5,878
Safe School	5,263
Early Childhood Education	1,501
Declining Enrollment Allocation	7,335
Florida Teachers' Lead Program	2,500
ESE Guaranteed Allocation	1,800
Total State Revenue	\$ 864,058
<i><u>LOCAL:</u></i>	
Discretionary Millage	\$ 59,639
School Lunch	6,019
Miscellaneous	15,784
Total Local Revenue	81,442
Total State and Local Revenue	\$ 945,500

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$46,060.

Accounting policies relating to certain State revenue sources are described in Note 1.

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6. RISK MANAGEMENT PROGRAMS

Workers' compensation and general liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

7. PROFESSIONAL SERVICE CONTRACT

The School entered into an annual contract for professional services on June 18, 2005 with School Financial Services, Inc. to perform various financial, accounting, and purchasing services. The contract is cancellable by either party with 30 days notice. The professional fees for the year ended June 30, 2007 were approximately \$26,150.

8. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2007, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

9. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

10. FUNDING AND CREDIT CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

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A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Fiscal Year Ended June 30, 2007

	General Fund		
	Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:			
Intergovernmental:			
Federal through Local	\$	\$	\$ -
State and Local	926,691	939,481	12,790
Contributions and Other	17,410	10,499	(6,911)
Total Revenues	<u>944,101</u>	<u>949,980</u>	<u>5,879</u>
Expenditures:			
Current - Education:			
Instruction	476,804	547,240	(70,436)
Pupil Personnel Services		-	-
Instructional Media		-	-
Instruction & Curriculum Development	1,137	645	492
Instructional Staff Training	283	3,000	(2,717)
Board of Education	65,439	67,176	(1,737)
School Administration	118,587	130,476	(11,889)
Facilities Acquisition & Construction	95,400	98,670	(3,270)
Fiscal Services	43,614	38,198	5,416
Food Services		-	-
Central Services		-	-
Pupil Transportation	24,808	40,271	(15,463)
Operation of Plant	70,031	63,715	6,316
Maintenance of Plant	4,314	5,627	(1,313)
Community Services		-	-
Fixed Capital Outlay:			
Other Capital Outlay	4,310	4,310	-
Total Expenditures	<u>904,727</u>	<u>999,328</u>	<u>(94,601)</u>
Excess/(Deficiency) of Revenues Over Expenditures	39,374	(49,348)	(88,722)
Other Financing (Uses):			
Transfers Out	(46,908)	(61,485)	(14,577)
Total Other Financing (Uses)	<u>(46,908)</u>	<u>(61,485)</u>	<u>(14,577)</u>
Net Change in Fund Balance	(7,534)	(110,833)	(103,299)
Fund Balances, July 1, 2006	187,137	187,137	-
Fund Balances, June 30, 2007	<u>\$ 179,603</u>	<u>\$ 76,304</u>	<u>\$ (103,299)</u>

See Independent Auditor's Report.

**BALERE LANGUAGE ACADEMY
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
MIAMI-DADE COUNTY DISTRICT SCHOOL BOARD**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2007**

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures (1)
United States Department of Education:			
Indirect:			
Miami-Dade County District School Board:			
Charter Schools	84.282	NA	61,092
			<hr/>
Total United States Department of Education			<hr/> 61,092
Total Expenditures of Federal Awards			<hr/> \$ 61,092 <hr/>

Notes: (1) Basis of Presentation. The Schedule of Expenditures of Federal Awards represents amounts expended from Federal Programs during the 2006-2007 fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the Schedule have been reconciled to and are in material agreement with amounts recorded in the School's accounting records from which the basic financial statements have been reported.

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Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Balere Language Academy:

We have audited the basic financial statements of the Balere Language Academy ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2007, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other guidelines, 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 for the information and use of the School and its management, the District School Board of Miami-Dade County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

King & Walker, CPAs, PC

August 31, 2007

KING & WALKER, CPAs, PL
Certified Public Accountants

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**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors
Balere Language Academy:

We have audited the basic financial statements of the Balere Language Academy ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated August 31, 2007.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 31, 2007. 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. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(d)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The School has taken the appropriate corrective action to correct the finding in the prior audit.

The Rules of the Auditor General (Section 10.854(1)(d)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), FL Statutes regarding financial emergency. The School has not met any of the conditions in the referenced statute and is not in a state of financial emergency.

The Rules of the Auditor General (Section 10.854(1)(d)3.), require that we make recommendations, present financial management, accounting procedures, and internal controls. No recommendations were noted in our audit.

The Rules of the Auditor General (Section 10.854(1)(d)4.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- 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.
- improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements
- Deficiencies in internal control that are not 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); (2) failures to properly record financial transactions

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(d)6.), require we disclose the name or official title of the school or center. The school's official name is Balere, Inc. operating as the Balere Language Academy which was incorporated in the State of Florida in December 2002 and received its status as a non-profit Section 501(c)(3) organization from the Internal Revenue Service in January 2004.

This letter is intended for the information and use of the School and its management, the District School Board of Miami-Dade County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

King & Walker, CPAs, PL

August 31, 2007

Tampa, Florida

BALERE LANGUAGE ACADEMY

Management's Response to Audit Findings

Year Ended June 30, 2007

The following is the School's response to the item in the Management Letter dated August 31, 2007, as required by Rule 10.857, Rules of the Auditor General:

No response required.