

BALERE LANGUAGE ACADEMY

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2009

King & Walker, CPAs, PL

Certified Public Accountants

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BALERE LANGUAGE ACADEMY

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KING & WALKER, CPAs, PL
Certified Public Accountants

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

To the Board of Directors Balere Language Academy,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund and aggregate remaining funds of Balere, Inc. doing business as 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, 2009, 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 opinions.

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, 2009, 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, 2009, 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. 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

August 31, 2009
Lutz, 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, 2009.

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 23.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2009, the School's expenses exceeded revenues as shown on the School's statement of activities by \$162,143.
- Overall, revenues increased by \$296,274, due primarily to increased enrollment and the receipt of capital outlay funding from the State.

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 financial 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 financial 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 financial 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 to account for its general operations, school food service and internal accounts; and a Capital Projects Fund to account for its facility function. For reporting purposes the General Fund and Capital Projects Fund are major funds.

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 for the fiscal years ended June 30, 2008, and June 30, 2009:

	Net Assets, End of Year		
	Governmental Activities		
	6-30-08	6-30-09	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 128,184	\$ 49,916	\$ (78,268)
Capital Assets, net	20,515	4,139,016	4,118,501
Total Assets	<u>148,699</u>	<u>4,188,932</u>	<u>4,040,233</u>
LIABILITIES			
Current Liabilities	59,243	122,118	\$ 62,875
Long-Term Liabilities	-	4,139,501	4,139,501
Total Liabilities	<u>59,243</u>	<u>4,261,619</u>	<u>4,202,376</u>
NET ASSETS			
Invested in Capital Assets	20,515	139,527	119,012
Unrestricted	68,941	(212,214)	(281,155)
Total Net Assets	<u>89,456</u>	<u>(72,687)</u>	<u>(162,143)</u>
Total Liabilities and Net Assets	<u>\$ 148,699</u>	<u>\$ 4,188,932</u>	<u>\$ 4,040,233</u>

Significant changes from the prior year were in Total Assets, Total Liabilities, and in Total Net Assets which decreased primarily due to increased costs in School expansion through the purchase of land and a school building.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2008, and June 30, 2009, are as follows:

Operating Results for the Year

	Governmental Activities		Increase (Decrease)
	6-30-08	6-30-09	
Revenues:			
Federal sources	\$ -	\$ 15,000	\$ 15,000
State and Local sources	1,158,522	1,450,627	292,105
Grants, Contributions and Other	157,757	146,926	(10,831)
Total Revenues	<u>1,316,279</u>	<u>1,612,553</u>	<u>296,274</u>
Expenses:			
Instruction	668,484	723,408	54,924
Pupil Personnel Services	-	-	-
Instructional Media	1,757	-	(1,757)
Instr. & Curriculum Development	2,924	6,224	3,300
Instructional Staff Development	60	-	(60)
Board of Education	93,158	93,790	632
School Administration	147,767	162,864	15,097
Facilities Acq. & Construction	116,423	70,743	(45,680)
Fiscal Services	49,086	57,656	8,570
Food Services	52,302	37,465	(14,837)
Pupil Transportation	18,600	24,983	6,383
Operation of Plant	68,820	128,418	59,598
Maintenance of Plant	4,609	2,336	(2,273)
Community Services	113,512	122,831	9,319
Interest on Long-Term Debt	-	211,263	211,263
Unallocated Depreciation	-	132,715	132,715
Total Expenses	<u>1,337,502</u>	<u>1,774,696</u>	<u>437,194</u>
Increase/(Decrease) in Net Assets	<u>\$ (21,223)</u>	<u>\$ (162,143)</u>	<u>\$ (140,920)</u>

The largest revenue source for the School is the State of Florida (84 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. Student enrollment increased approximately 32 percent over the previous year. In addition, the School received funding through the State's charter school capital outlay program.

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 deficit balance of \$72,202. The School's principal and interest payments related to the long-term debt issued for the purchase of a school facility was the primary cause. The School is expecting increased enrollment for the 2009-10 school year and is negotiating a refinancing plan in order to make the necessary cost adjustments to the debt payments. Management expects the increased FEFP revenue and the reduced debt payments to alleviate the deficit by the end of the 2009-10 fiscal year.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2009, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures exceeded the final budget by \$53,984, primarily as a result of principal and interest payments for the purchase of the new school facility.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$4,139,016 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in note 3 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, FLORIDA

STATEMENT OF NET ASSETS
June 30, 2009

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash & Cash Equivalents	\$ 32,244
Due From Other Agency	12,122
Prepaid Expenses & Deposits	5,550
Total Current Assets	49,916
Capital Assets:	
Land	150,000
Buildings, Net	3,975,901
Furniture, Fixtures, and Equipment, Net	13,115
Total Capital Assets, Net	4,139,016
TOTAL ASSETS	\$ 4,188,932

<u>LIABILITIES</u>	
Current Liabilities:	
Accounts Payable	\$ 44,275
Salaries & Wages Payable	77,843
Long-Term Liabilities:	
Due within one year:	
Promissory Notes Payable	58,933
Mortgage Notes Payable	1,209,932
Due after one year:	
Promissory Notes Payable	81,079
Mortgage Notes Payable	2,789,557
TOTAL LIABILITIES	4,261,619

<u>NET ASSETS</u>	
Invested in Capital Assets, Net of Related Debt	139,527
Unrestricted	(212,214)
Total Net Assets	(72,687)
TOTAL LIABILITIES AND NET ASSETS	\$ 4,188,932

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, FLORIDA**

STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2009

Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes Net Assets Governmental Activities	Total
Governmental Activities:					
Instruction	\$ 723,408	\$ 15,000	-	\$ (708,408)	\$ (708,408)
Pupil Personnel Services					
Instructional Media	6,224			(6,224)	(6,224)
Instruction & Curriculum Development					
Instructional Staff Training					
Board of Education	93,790			(93,790)	(93,790)
School Administration	162,864			(162,864)	(162,864)
Facilities Acquisition & Construction	70,743		117,049	46,306	46,306
Fiscal Services	57,656			(57,656)	(57,656)
Food Services	37,465	3,071		(34,394)	(34,394)
Central Services					
Pupil Transportation	24,983			(24,983)	(24,983)
Operation of Plant	128,418			(128,418)	(128,418)
Maintenance of Plant	2,336			(2,336)	(2,336)
Community Services	122,831	106,752		(16,079)	(16,079)
Interest on Long-Term Debt	211,263			(211,263)	(211,263)
Unallocated Depreciation	132,715			(132,715)	(132,715)
Total Governmental Activities	<u>\$ 1,774,696</u>	<u>\$ 109,823</u>	<u>\$ 117,049</u>	<u>(1,532,824)</u>	<u>(1,532,824)</u>
General Revenues:					
State and Local sources				1,333,578	1,333,578
Grants and Contributions not restricted to specific program				37,103	37,103
Contributions and Other				<u>1,370,681</u>	<u>1,370,681</u>
Change in Net Assets				(162,143)	(162,143)
Net Assets - July 1, 2008				89,456	89,456
Net Assets - June 30, 2009				<u>(72,687)</u>	<u>(72,687)</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, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2009

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 32,244	\$ -	\$ 32,244
Due From Other Agency		12,122	12,122
Due From Other Funds	12,122		12,122
Prepaid Expenses & Deposits	5,550		5,550
Total Assets	<u>\$ 49,916</u>	<u>\$ 12,122</u>	<u>\$ 62,038</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 44,275	\$ -	\$ 44,275
Salaries & Wages Payable	77,843		77,843
Due To Other Funds		12,122	12,122
Total Liabilities	<u>122,118</u>	<u>12,122</u>	<u>134,240</u>
Fund Balances:			
Undesignated	<u>(72,202)</u>	-	<u>(72,202)</u>
Total Fund Balances	<u>(72,202)</u>	-	<u>(72,202)</u>
Total Liabilities and Fund Balance	<u>\$ 49,916</u>	<u>\$ 12,122</u>	<u>\$ 62,038</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, FLORIDA**

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

June 30, 2009

Total Fund Balances - Governmental Funds	\$	(72,202)
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Amounts reported for governmental activities in the statement of net assets are different because:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Long-term liabilities at year-end consist of:

Promissory Notes Payable	(140,012)	
Mortgage Notes Payable	<u>(3,999,489)</u>	(4,139,501)

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

4,139,016

Total Net Assets - Governmental Activities

\$ (72,687)

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, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2009

	General Fund	Capital Projects Fund	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Through Local	\$ 15,000	\$ -	\$ 15,000
State and Local	1,336,649	117,049	1,453,698
Contributions and Other	143,855		143,855
Total Revenues	1,495,504	117,049	1,612,553
Expenditures			
Current - Education:			
Instruction	\$ 723,408	\$ -	\$ 723,408
Pupil Personnel Services			-
Instructional Media	-		-
Instruction & Curriculum Development	6,224		6,224
Instructional Staff Training	-		-
Board of Education	93,790		93,790
School Administration	162,864		162,864
Facilities Acquisition & Construction	70,743	-	70,743
Fiscal Services	57,656		57,656
Food Services	37,465		37,465
Central Services			-
Pupil Transportation	24,983		24,983
Operation of Plant	128,418		128,418
Maintenance of Plant	2,336		2,336
Community Services	122,831		122,831
Fixed Capital Outlay:			
Facilities Acquisition & Construction		4,251,216	4,251,216
Debt Service:			
Principal	60,329		60,329
Interest and Fiscal Charges	211,263	-	211,263
Total Expenditures	1,702,310	4,251,216	5,953,526
Excess (Deficiency) of Revenues Over Expenditures	(206,806)	(4,134,167)	(4,340,973)
Other Financing Sources/(Uses):			
Proceeds From Long-Term Debt	65,663	4,134,167	4,199,830
Total Other Financing Sources/(Uses)	65,663	4,134,167	4,199,830
Net Change in Fund Balances	(141,143)	-	(141,143)
Fund Balances, July 1, 2008	68,941	-	68,941
Fund Balances, June 30, 2009	\$ (72,202)	\$ -	\$ (72,202)

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, FLORIDA**

**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, 2009***

Net Change in Fund Balances - Governmental Funds \$ (141,143)

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.

4,118,501

Net proceeds from notes payable provide current financial resources the governmental funds, but increase long-term liabilities in the statement of assets.

(4,199,830)

Principal payments on long-term debt are expenditures in the governmental funds but the repayments reduce long-term liabilities in the statement of net assets.

60,329

Change in Net Assets - Governmental Activities

\$ (162,143)

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 District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Balere, Inc. 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 in June 1999. Balere, Inc. entered into an agreement with the District School Board of Miami-Dade County, Florida to operate a charter school beginning for 2004-05 school year under the registered name Balere Language Academy. The reporting entity consists of the Balere Language Academy (School). 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, is subject to annual review, and may be renewed by mutual agreement between the School and the District. At the end of the charter term, 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

BALERE LANGUAGE ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 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 funds are 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.
- Capital Projects Fund – to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

➤ **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

BALERE LANGUAGE ACADEMY

A Charter School and Component Unit of the District School Board of

Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2009

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.

➤ Budgets and Budgetary Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

➤ Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and certificates of deposit with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ 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

BALERE LANGUAGE ACADEMY
A Charter School and Component Unit of the District School Board of
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NOTES TO FINANCIAL STATEMENTS
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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 (FTE) 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 1011.62 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 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2009, the School reported 215 unweighted FTE and 226 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.

BALERE LANGUAGE ACADEMY
A Charter School and Component Unit of the District School Board of
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NOTES TO FINANCIAL STATEMENTS
June 30, 2009

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 principles 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.

2. DUE FROM OTHER AGENCY

The amount due from other agency on the School's Statement of Net Assets and Balance Sheet – Governmental Funds represents charter school capital outlay program eligible expenditures awaiting reimbursement by Florida DOE through the Miami-Dade County School District. This receivable is considered fully collectible and therefore, no allowance for uncollectible accounts has been established.

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Balance 07/01/08	Additions	Deletions	Balance 06/30/09
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$ 150,000		\$ 150,000
Total Capital Assets Not Being Depreciated	-	150,000	-	150,000
Capital Assets Being Depreciated:				
Buildings	-	4,101,216		4,101,216
Furniture, Fixtures and Equipment	36,356	-	-	36,356
Total Capital Assets Being Depreciated	36,356	4,101,216	-	4,137,572

Unallocated depreciation expense for the 2008-09 fiscal year was \$132,715.

BALERE LANGUAGE ACADEMY
A Charter School and Component Unit of the District School Board of
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June 30, 2009

4. LOANS FROM RELATED PARTIES

The School's financial services company has loaned the money to temporarily fund the operations of the School until the receipt of future FEFP funds. A Balere Language Academy Board Member has loaned money to temporarily fund the operations of the School until the receipt of future FEFP funds. The outstanding loan amounts as of June 30, 2009, the related terms of the loans, and the future minimum payments required under the loans are summarized in note 5 to the financial statements.

5. PROMISSORY NOTES AND MORTGAGE NOTES PAYABLE

Promissory notes and mortgage notes payable consist of the following:

	<u>Balance at 6-30-09</u>
<u>Promissory Note Payable - School Financial Services, Inc.</u>	
\$19,209 Borrowed 6-30-09, to cover costs associated with the professional service contract fees for the fiscal year ended June 30, 2009. Interest free note. Payments are to be made in 18 equal monthly installments of \$1,067.17, beginning July, 1, 2009.	\$ 19,209
<u>Promissory Note Payable - School Financial Services, Inc.</u>	
\$20,000 Borrowed 7-03-08, to provide cash flow for operating purposes. Interest Rate of 10%. Payments are to be made in 18 equal monthly installments of \$1,315.95, beginning July 1, 2009.	20,000
<u>Promissory Note Payable - School Financial Services, Inc.</u>	
\$35,000 Borrowed 8-28-08, to provide cash flow for operating purposes. Interest Rate of 10%. Payments are to be made in 18 equal monthly installments of \$2,265.01, beginning July 1, 2009.	35,000
<u>Balere Language Academy Board Member</u>	
\$110,000 Borrowed 7-03-08, to provide cash flow for operating purposes. Interest free note. Payments are to be made in 55 equal monthly installments of \$2,000, beginning January 1, 2010.	110,000

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PROMISSORY NOTES AND MORTGAGE NOTES PAYABLE - continued

	Balance at <u>6/30/09</u>
<u>Mortgage - Strategic Empowerment for Economic Development, Corp.</u> \$1,215,621 Borrowed 8-08-08, to provide funding for the purchase of land and building to be utilized for the Balere Language Academy. Interest Rate of 6.5%. Interest only payments are to be made in equal monthly installments of \$6,584.62 through January 11, 2010, at which time the remaining principal balance with any accrued interest and fees shall be paid in full.	1,215,621
<u>Mortgage - Mr. & Mrs. Masters</u> \$50,000, Borrowed 8-08-08, to provide funding for the purchase of land and building to be utilized for the Balere Language Academy. Interest Rate of 14.5%. Payments are to be made in equal monthly installments of \$5,279.10 through June 11, 2009, at which time the remaining principal balance with any accrued interest and fees shall be paid in full.	5,803
<u>Mortgage - Home Equity Mortgage Corporation</u> \$1,500,000, Borrowed 8-08-08, to provide funding for the purchase of land and building to be utilized for the Balere Language Academy. Interest Rate of 12%. Payments are to be made in 245 equal monthly installments of \$16,721.94.	1,483,868
<u>Mortgage - Keyes Company</u> \$500,000, Borrowed 8-08-08, to provide funding for the purchase of land building to be utilized for the Balere Language Academy. Interest Rate of 14.5%. Interest only payments are to be made in 24 equal monthly installments of \$6,041.67, through September 1, 2010, at which time the remaining principal balance with any accrued interest and fees shall be paid in full.	500,000
<u>Mortgage - Gilbert's Angels Nursery & Day Care Center, Inc.</u> \$750,000, Borrowed 8-08-08, to provide funding for the purchase of land building to be utilized for the Balere Language Academy. Interest Rate of 5%. Interest only payments are to be made in 24 equal monthly installments of \$6,041.67, through September 1, 2010, at which time the remaining principal balance with any accrued interest and fees shall be paid in full.	<u>750,000</u>
Total Promissory and Mortgage Notes Payable	<u><u>\$ 4,139,501</u></u>

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June 30, 2009

Future amounts payable for promissory notes and mortgage notes payable are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2010	\$ 1,712,116	\$ 1,268,865	\$ 443,251
2011	1,530,052	1,323,703	206,349
2012	224,663	49,271	175,392
2013	224,663	52,476	172,187
2014	224,664	56,088	168,576
2015-2019	1,005,317	234,837	770,480
2020-2024	1,003,316	422,994	580,322
2025-2029	966,238	731,267	234,971
Total	<u>\$ 6,891,029</u>	<u>\$ 4,139,501</u>	<u>\$ 2,751,528</u>

6. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance 7/1/2008	Additions	Deductions	Balance 6/30/2009	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Promissory Notes Payable	\$ -	\$ 184,209	\$ (44,197)	\$ 140,012	\$ 58,933
Mortgage Notes Payable	-	4,015,621	(16,132)	3,999,489	1,209,932
Total Governmental Activities	<u>\$ -</u>	<u>\$ 4,199,830</u>	<u>\$ (60,329)</u>	<u>\$ 4,139,501</u>	<u>\$ 1,268,865</u>

7. 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:

Fiscal Year Ending June 30:	Amount
2010	\$ 5,460
2011	455
Total Minimum Payments Required	<u>\$ 5,915</u>

BALERE LANGUAGE ACADEMY
A Charter School and Component Unit of the District School Board of
Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2009

8. SCHEDULE OF FEDERAL, STATE, & LOCAL REVENUE SOURCES

The School's Federal, State, and local revenue for the 2008-09 fiscal year is as follows:

Source	Amount
<i>FEDERAL:</i>	
Charter School - Implementation Grant	\$ 15,000
Total Federal Revenue	\$ 15,000
 <i>STATE:</i>	
Florida Education Finance Program	\$ 873,045
Categorical Educational Programs:	
Class Size Reduction	245,596
Supplementary Academic Instruction	78,356
Instructional Materials	20,408
Transportation	2,299
Safe School	6,660
ESE Guaranteed Allocation	1,619
Charter School Capital Outlay	117,049
Discretionary Lottery	5,343
Florida Teacher's Lead Program	2,349
Declining Enrollment Allocation	736
Total State Revenue	1,353,460
 <i>LOCAL:</i>	
Discretionary Millage	97,167
Student Lunches	3,071
Total Local Revenue	100,238
Total State, and Local Revenue	\$ 1,453,698

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$66,561.

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

9. 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, 2009, were approximately \$36,420.

BALERE LANGUAGE ACADEMY
A Charter School and Component Unit of the District School Board of
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NOTES TO FINANCIAL STATEMENTS
June 30, 2009

10. DEFICIT FUND BALANCE

The School reported a deficit fund balance in its General Fund of \$72,072 at June 30, 2009. The School's principal and interest payments related to the long-term debt issued for the purchase of a school facility was the primary cause. The School is expecting increased enrollment for the 2009-10 school year and is negotiating a refinancing plan in order to make the necessary cost adjustments to the debt payments. Management expects the increased FEFP revenue and the reduced debt payments to alleviate the deficit by the end of the 2009-10 fiscal year.

11. 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.

12. 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, 2009, 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.

13. 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.

14. 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.

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

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2009

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal through Local	\$	\$	\$ 15,000	\$ 15,000
State and Local	1,429,185	1,524,464	1,336,649	(187,815)
Contributions and Other	137,332	154,756	143,855	(10,901)
Total Revenues	1,566,517	1,679,220	1,495,504	(183,716)
Expenditures:				
Current - Education:				
Instruction	748,714	759,187	723,408	35,779
Pupil Personnel Services			-	-
Instructional Media	2,786	2,972	-	2,972
Instruction & Curriculum Development	2,744	2,927	6,224	(3,297)
Instructional Staff Training	69	69	-	69
Board of Education	111,533	116,297	93,790	22,507
School Administration	161,233	161,233	162,864	(1,631)
Facilities Acquisition & Construction	186,917	274,667	70,743	203,924
Fiscal Services	60,073	62,698	57,656	5,042
Food Services	62,071	65,206	37,465	27,741
Central Services			-	-
Pupil Transportation	29,489	31,455	24,983	6,472
Operation of Plant	64,505	64,505	128,418	(63,913)
Maintenance of Plant	4,707	4,707	2,336	2,371
Community Services	102,403	102,403	122,831	(20,428)
Debt Service:				
Principal			60,329	(60,329)
Interest and Fiscal Charges	-	-	211,263	(211,263)
Total Expenditures	1,537,244	1,648,326	1,702,310	(53,984)
Excess/(Deficiency) of Revenues Over Expenditures	29,273	30,894	(206,806)	(237,700)
Other Financing (Uses):				
Proceeds From Long-Term Debt	-	-	65,663	65,663
Total Other Financing (Uses)	-	-	65,663	65,663
Net Change in Fund Balance	29,273	30,894	(141,143)	(172,037)
Fund Balance, July 1, 2008	49,846	68,941	68,941	-
Fund Balance, June 30, 2009	\$ 79,119	99,835	\$ (72,202)	\$ (172,037)

See Independent Auditor's Report.

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
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Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

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,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

We have audited the basic financial statements of Balere Inc. doing business as 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, 2009, 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, 2009, 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*.

We noted a certain matter that we have reported to management of the School in the management letter dated August 31, 2009.

The School's response to our finding identified in our audit is described in the accompanying *Management's Response to Audit Findings* on page 30. We did not audit the School's response and, accordingly, express no opinion on it.

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

August 31, 2009
Lutz, Florida

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

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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,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

We have audited the basic financial statements of Balere Inc. doing business as 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, 2009, and have issued our report thereon dated August 31, 2009.

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, 2009. 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)(e)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 any findings in the prior audit.

The Rules of the Auditor General (Section 10.854(1)(e)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), Florida Statutes regarding financial emergency. In connection with our audit, we determined that the School met one condition described in Section 218.503(1)(e), Florida Statutes. The School reported a deficit unreserved fund balance of \$72,202 as shown on its Balance Sheet – Governmental Funds, as disclosed in Note 10, page 23 of its audited financial statements. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). We have determined that the deficit fund balance was not a result of deteriorating financial conditions.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The Rules of the Auditor General (Section 10.854(1)(e)3.), requires that we address in the management letter any recommendations to improve financial management. Except for finding No. 2009-01 on page 29, we did not have any such recommendations.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), 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 have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, 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, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

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

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is the Balere Language Academy.

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

August 31, 2009
Lutz, Florida

BALERE LANGUAGE ACADEMY

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

RECOMMENDATIONS TO MANAGEMENT

June 30, 2008

OTHER MATTERS:

2009-1

Financial Condition – Section 218.503(1)(e), Florida Statutes, states that charter schools shall be subject to review and oversight by the Governor, the charter school's sponsor, or the Commissioner of Education if the School maintains an unreserved or total fund balance or an unrestricted or total net assets deficit, as reported on the balance sheet or statement of net assets, for which sufficient resources of the charter school, as reported on the balance sheet or statement of net assets of the general purpose financial statements, are not available to cover the deficit. In connection with our audit, we determined that the School met one condition described in the above referenced statute. The School reported a deficit unreserved fund balance of \$72,202 as shown on its Balance Sheet – Governmental Funds, page 10. We determined that the deficit unreserved fund balance was not a result from a deteriorating financial condition. We recommend the School closely monitor the deficit and take the necessary steps to eliminate the deficit as soon as practicable.

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

MANAGEMENT'S RESPONSE TO AUDIT FINDINGS

Year Ended June 30, 2009

The following is the School's response to the item in the Management Letter dated August 31, 2009, as required by Rule 10.857, Rules of the Auditor General:

Finding 2009-01: The School suffered a deficit as the result of significant capital outlay expenditures associated with the acquisition of a new, permanent facility coupled with revenue cuts imposed mid-year.

The FY10 budget anticipates this deficit will be offset this year. Further, the budget, which provides for debt service on the new facility, is based on 300 students. As of August 31, 2009, there are 312 students enrolled.

The School took positive steps to make sure obligations were and are being met, and has a realistic and achievable plan to overcome the deficit.