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

SPECIAL PURPOSE FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2010

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

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INDEPENDENT AUDITORS' REPORT



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

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Education Academy
Hialeah, Florida

We have audited the accompanying special purpose financial statements of the governmental activities and the major fund of the City of Hialeah Education Academy (a special revenue fund of the City of Hialeah, Florida) (the "School"), as of and for the fiscal year ended June 30, 2010, which collectively comprise the School's special purpose financial statements as listed in the table of contents. These special purpose financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these special purpose 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 special purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose 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.

As discussed in Note 2, the special purpose financial statements present only the City of Hialeah Education Academy, a special revenue fund of the City of Hialeah, Florida. These financial statements do not purport to, and do not, present fairly the financial position of the City of Hialeah, Florida as of June 30, 2010 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the special purpose financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the City of Hialeah Education Academy, as of June 30, 2010, and the respective changes in financial position for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and City Commissioners of the
City of Hialeah, Florida

In accordance with Government Auditing Standards, we have also issued our report dated August 25, 2010 on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information listed in the table of contents, are not a required part of the special purpose 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 on it.

Alberni Caballero & Company, LLP

Coral Gables, Florida
August 25, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

Management's Discussion and Analysis
City of Hialeah Education Academy
(A Special Revenue Fund of the City of Hialeah, Florida)
June 30, 2010

Our discussion and analysis of the City of Hialeah Education Academy's (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2010. It should be read in conjunction with the School's special purpose financial statements which immediately follow this discussion.

Financial Highlights

1. The assets of the Charter School exceeded its liabilities at June 30, 2010 by \$346,187 compared to \$27,889 as of June 30, 2009 (net assets).
2. At June 30, 2010, the School had current assets on hand of \$ 96,198 compared to \$ 26,852 as of June 30, 2009 and current liabilities of \$178,744 compared to \$18,935. The increase was due to accounts payable and payroll accruals at year end.
3. The net assets of the School increased by \$318,298 during 2010 compared to \$27,889 during the prior year.
4. At June 30, 2010, the School reported \$7,454 of unreserved fund balance compared to \$7,917 as of June 30, 2009; a decrease of \$463.
5. The School's enrollment increased from 100 students at the end of 2009 to 231 at the end of 2010.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's special purpose financial statements. The School's special purpose financial statements for the fiscal year ended June 30, 2010 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the special purpose financial statements themselves.

Government-Wide Financial Statements

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

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

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

The government-wide financial statements can be found on pages 8 - 9 of this report.

Fund Financial Statements

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

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

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

The governmental fund financial statements can be found on pages 10 - 11 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 12 - 17 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$ 346,187 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2010:

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>%</u>
Cash	\$96,198	\$12,852	\$83,346	649%
Receivable	90,000	14,000	76,000	543%
Capital Assets, net	<u>428,733</u>	<u>123,297</u>	<u>305,436</u>	<u>248%</u>
Total Assets	<u>\$614,931</u>	<u>\$150,149</u>	<u>\$464,782</u>	<u>310%</u>
Current liabilities	178,744	18,935	159,809	844%
Long-term Debt	<u>90,000</u>	<u>103,325</u>	<u>-13,325</u>	<u>-13%</u>
Total Liabilities	<u>\$268,744</u>	<u>122,260</u>	<u>146,484</u>	<u>120%</u>
Invested in Capital Assets, net of related debt	338,733	19,972	318,761	1,596%
Unrestricted	<u>7,454</u>	<u>7,917</u>	<u>-463</u>	<u>-6%</u>
Total Net Assets	<u>\$346,187</u>	<u>\$27,889</u>	<u>\$318,298</u>	<u>1,141%</u>

Total assets increased during the current year mainly due to capital additions net of depreciation. Total liabilities also increased due to accounts payable and accrued payroll increases at the end of 2010 compared to the prior year as the number of employees increased from the prior year.

At the end of the fiscal year, the School is able to report positive balances in the categories of net assets with a net increase for the year.

A summary and analysis of the School's revenues and expenses for the fiscal year ended June 30, 2010 follows.

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>%</u>
REVENUES				
Program Revenues				
Operating Grants and Contributions	\$131,019	\$15,100	\$115,919	768%
Capital Grants and Contributions	175,045	-	175,045	>100%
Charges for Services	31,472	6,183	21,289	409%
General Revenues				
FTE nonspecific revenues	1,460,948	621,138	839,810	135%
Miscellaneous	<u>101</u>	<u>6,378</u>	<u>-6,277</u>	<u>-98%</u>
Total Revenues	<u>1,798,585</u>	<u>648,799</u>	<u>1,149,786</u>	<u>177%</u>
EXPENSES				
Instruction	757,569	245,662	511,907	208%
Instructional Staff Training Services	7,942	3,238	4,704	145%
Board	10,785	400	10,385	2,596%
School Administration	323,649	221,997	101,652	46%
Fiscal Services	36,350	15,150	21,200	140%
Food Services	96,113	43,847	52,266	119%
Central Services	44,519	20,079	24,440	122%
Operation of Plant	183,486	60,089	123,397	205%
Maintenance of Plant	<u>19,874</u>	<u>10,448</u>	<u>9,426</u>	<u>90%</u>
Total Expenses	<u>1,480,287</u>	<u>620,910</u>	<u>859,377</u>	<u>138%</u>
Increase in Net Assets	318,298	27,889	290,409	1,041%
Net Assets at Beginning of Year	<u>27,889</u>	-	<u>27,889</u>	<u>>100%</u>
Net Assets at End of Year	<u>\$346,187</u>	<u>\$27,889</u>	<u>318,298</u>	<u>1,141%</u>

The 2008-2009 school year, was the first year of operations for the School. During 2010, the School's enrollment more than doubled from 100 students at the end of 2009 to 231 at the end of 2010. The increase in enrollment was the cause of the increase in revenues since the revenues are based on student enrollment. The increase in enrollment also increased the costs as more teachers were hired. Increases in school administration expenses are due to increases in management costs of the School as this is also based on student enrollment. Increases in the operation of the plant were mainly due to increases in building related costs and charges by the City of Hialeah for the use of facilities.

ACCOMPLISHMENTS

The City of Hialeah Education Academy successfully completed its second year of operation, adding 10th graders to its student body. The School offers a cutting-edge, college preparatory curriculum with an emphasis on Emergency Response, Health, and Law Enforcement Careers. Located in a college-style campus, the School features a technology-rich environment where highly-qualified and certified instructors prepare students for employment within a multilingual work environment.

The vision of the School is to provide a high quality, rigorous career oriented curriculum that will prepare students for successful progression into post-secondary education and productive employment within a multilingual work environment. The School is committed to setting an environment that strives for academic achievement, develops character and maintains the goal of preparing students to serve and give back to their community in the field of public service.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

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

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>%</u>
Cash	\$96,198	\$12,852	\$83,346	649%
Receivable	<u>90,000</u>	<u>14,000</u>	<u>76,000</u>	<u>543%</u>
Total Assets	<u>\$186,198</u>	<u>\$26,852</u>	<u>\$159,346</u>	<u>593%</u>
Liabilities	<u>178,744</u>	<u>18,935</u>	<u>159,809</u>	<u>844%</u>
Unreserved Fund Balance	<u>\$ 7,454</u>	<u>\$ 7,917</u>	<u>\$ -463</u>	<u>-6%</u>

At the end of the fiscal year, the School's governmental fund reported a fund balance of \$7,454 a decrease of \$463 from the prior year. Assets and liabilities increased for the same reasons explained in the highlights of the government-wide financial statements.

	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>%</u>
REVENUES				
Local Sources	\$1,460,948	\$621,138	\$839,810	135%
Federal through state	306,064	-	306,064	>100%
Charges for services	31,472	6,183	21,289	409%
Miscellaneous	<u>101</u>	<u>21,478</u>	<u>-21,377</u>	<u>-100</u>
Total Revenues	<u>1,798,585</u>	<u>648,799</u>	<u>1,149,786</u>	<u>177%</u>
EXPENSES				
Instruction	704,846	358,615	346,231	97%
Instructional Staff Training Services	7,942	3,238	4,704	145%
Board	10,785	400	10,385	2,596%
School Administration	321,857	226,607	95,250	42%
Fiscal Services	36,350	15,150	21,200	140%
Food Services	95,840	46,311	49,529	107%
Central Services	44,519	20,079	24,440	122%
Operation of Plant	181,130	62,571	118,559	189%
Maintenance of Plant	19,699	11,236	8,463	75%
Debt Service	103,325	-	103,325	>100%
Capital outlay	<u>362,755</u>	<u>-</u>	<u>362,755</u>	<u>>100%</u>
Total Expenses	<u>1,889,048</u>	<u>744,207</u>	<u>1,144,841</u>	<u>154%</u>
Deficiency of revenues				
Over expenditures before other				
Financing Sources	<u>(90,463)</u>	<u>(95,408)</u>	<u>4,945</u>	<u>-5%</u>

OTHER FINANCING SOURCE				
Proceeds from capital lease	<u>90,000</u>	<u>103,325</u>	<u>-13,325</u>	<u>-13%</u>
Net Change in Fund Balance	(463)	7,917	-8,380	-106%
Fund Balance Beginning of Year	<u>7,917</u>	<u>-</u>	<u>7,917</u>	<u>>100%</u>
Fund Balance End of Year	<u>\$ 7,454</u>	<u>\$ 7,917</u>	<u>\$ -463</u>	<u>-6%</u>

Revenues and expenditures for the governmental fund increased for the same reasons described above for the government wide financial statements. Mainly due to an increase in enrollment from 100 students at the end of 2009 compared to 231 at the end of 2010.

Capital Assets and Debt Administration

The School's investment in capital assets as of June 30, 2010 amounts to \$428,733 (net of accumulated depreciation). Major capital asset additions in the current year included new furniture, computers, equipment and textbooks.

The School's outstanding debt is a capital lease payable of \$90,000 due to Academica, Dade LLC; the School's management company.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the City adopted an annual budget for the School. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget and it is reported on page 18. The main increase in the final budget to the amended budget was an \$80,000 charge from the City of Hialeah as an usage fee for the use of City facilities.

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6361 Sunset Drive, Miami, Florida, 33143.

SPECIAL PURPOSE FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
 JUNE 30, 2010

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 96,198
Receivable	<u>90,000</u>
Total current assets	<u>186,198</u>
Non-current assets:	
Capital assets, depreciable	502,266
Less: accumulated depreciation	<u>(73,533)</u>
Total non-current assets	<u>428,733</u>
Total assets	<u>614,931</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	108,986
Accrued payroll	50,508
Unearned revenues	15,097
Other liabilities	<u>4,153</u>
Total current liabilities	<u>178,744</u>
Non-current liabilities:	
Due in more than one year	<u>90,000</u>
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	338,733
Unrestricted	<u>7,454</u>
Total net assets	<u>\$ 346,187</u>

See notes to special purpose financial statements.

CITY OF HIALEAH EDUCATION ACADEMY
(A Special Revenue Fund of the City of Hialeah, Florida)
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Program Revenues			Capital	Governmental	Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Grants and Contributions	Activities	Revenue and Changes in Net Assets
Functions/programs						
Governmental activities:						
Instruction	\$ 757,569	\$ -	\$ 98,652	\$ 175,045		\$ (483,872)
Instructional staff training services	7,942	-	-	-		(7,942)
Board	10,785	-	-	-		(10,785)
School administration	323,649	-	-	-		(323,649)
Fiscal services	36,350	-	-	-		(36,350)
Food services	96,113	31,472	32,367	-		(32,274)
Central services	44,519	-	-	-		(44,519)
Operation of plant	183,486	-	-	-		(183,486)
Maintenance of plan	19,874	-	-	-		(19,874)
Total governmental activities	1,480,287	31,472	131,019	175,045		(1,142,751)
General revenues:						
FTE nonspecific revenues						1,460,948
Miscellaneous income						101
Change in net assets						318,298
Net assets, Beginning						27,889
Net assets, Ending						\$ 346,187

See notes to special purpose financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2010

<u>ASSETS</u>		
Cash and cash equivalents		\$ 96,198
Receivable		<u>90,000</u>
Total assets		<u>\$ 186,198</u>

<u>LIABILITIES</u>		
Accounts payable		\$ 108,986
Accrued payroll		50,508
Unearned revenues		15,097
Other liabilities		<u>4,153</u>
Total liabilities		<u>178,744</u>

<u>FUND BALANCE</u>		
Unreserved		<u>7,454</u>
Total fund balance		<u>7,454</u>

Amounts reported for governmental activities in the statement of net assets are different as a result of:

Capital assets used in governmental activities are not financial resources, and therefore are not reported in the funds.	<u>428,733</u>
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(90,000)</u>
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Net assets of governmental activities	<u>\$ 346,187</u>
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CITY OF HIALEAH EDUCATION ACADEMY
(A Special Revenue Fund of the City of Hialeah, Florida)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2010

Revenues:	
Local sources	\$ 1,460,948
Federal through state	306,064
Charges for services	31,472
Miscellaneous	<u>101</u>
Total revenues	<u>1,798,585</u>
Expenditures:	
Current:	
Instruction	704,846
Instructional staff training services	7,942
Board	10,785
School administration	321,857
Fiscal services	36,350
Food services	95,840
Central services	44,519
Operation of plant	181,130
Maintenance of plan	19,699
Debt service:	
Principal	103,325
Capital outlay	<u>362,755</u>
Total expenditures	<u>1,889,048</u>
Deficiency of revenues over expenditures	(90,463)
Other financing sources:	
Proceeds from capital lease	<u>90,000</u>
Net change in fund balance	<u>(463)</u>
Fund balance - Beginning	<u>7,917</u>
Fund balance - Ending	<u>7,454</u>
Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balances - total government fund	(463)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are depreciated over their estimated useful lives.	
Add current year capital outlays	362,755
Less current year depreciation	(57,319)
The issuance of long-term debt provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.	
Proceeds from capital lease	(90,000)
Principal payments	<u>103,325</u>
Change in net assets of governmental activities	<u>\$ 318,298</u>

See notes to special purpose financial statements

CITY OF HIALEAH EDUCATION ACADEMY

(A Special Revenue Fund of the City of Hialeah, Florida)

Note 1 Organization and Operations

Nature of operations: City of Hialeah Education Academy (the "School"), is a special revenue fund of the City of Hialeah, Florida (the "City"). The School commenced operations in August 2008 in the City and offers a career oriented curriculum for grades nine through twelve with an enrollment of 231 for the fiscal year ended June 30, 2010. The School is funded from public funds based on enrollment and is also eligible for grants in accordance with State and Federal guidelines, including food service and capital outlay. The School can accept private donations and the City can incur debt for the operation of the School.

Enrollment and Grade Configuration

<u>School Name and Address</u>	<u>Location No.</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
City of Hialeah Education Academy 2590 W 76th Street, Hialeah, FL 33016	7262	9 th , 10 th , 11 th and 12 th (*)	231	Carlos O. Alvarez

(*) Only 9th and 10th Grade for the fiscal year ended June 30, 2010

Oversight Committee

Julio Robaina – Chair (Mayor of the City of Hialeah)

Carlos Hernandez – Vice Chair (City Council President of the City of Hialeah)

Jose Yedra – Secretary/Treasurer (City Council Vice President of the City of Hialeah)

Jose F. Caragol (City Council Member of the City of Hialeah)

Vivian Casals-Muñoz (City Council Member of the City of Hialeah)

Isis Garcia Martinez (City Council Member of the City of Hialeah)

Luis Gonzalez (City Council Member of the City of Hialeah)

Katherine Cue (City Council Member of the City of Hialeah)

Note 2 Summary of Significant Accounting Policies

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

Reporting entity: The School operates under a charter granted by the sponsoring school district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 2013. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter for good cause as defined in the charter agreement.

The School is owned and operated by the City of Hialeah, Florida (the "City"), is part of the City's government and is not a separate legal entity or otherwise organized apart from the City. The City operates under a Commission-Mayor form of government. In accordance with Chapter 10.850, Rules of the Auditor General of

the State of Florida, the School is required to prepare special purpose financial statements. Section 10.855(4) states that the special purpose financial statements should present the charter school's financial position including the charter school's current and capital assets and current and long-term liabilities, and net assets; and the changes in financial position. The financial statements contained herein present only the operations of the School and do not purport to, and do not, present the financial position and changes in financial position of the City. All capital assets acquired with Full Time Equivalent ("FTE") funding are reported.

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

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

In the government-wide statement of net assets, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all current and noncurrent assets and all current and noncurrent liabilities. The School's net assets are reported in three (3) categories: invested in capital assets; restricted net assets; and unrestricted net assets.

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

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

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

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

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

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be

determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within two (2) months of the end of the current fiscal year. Intergovernmental revenues are recognized when all eligibility requirements have been met, if available. Expenditures generally are recorded when a liability is incurred. However, expenditures related to compensated absences are recorded only when paid from expendable available financial resources.

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

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

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

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

Equity classifications:

Government-wide financial statements

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

- a. Invested in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation. There are no restricted net assets.
- c. Unrestricted net assets – all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Deposits: The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Post-retirement benefits: The School provides no post-retirement benefits to employees.

Compensated absences: The School's grants a specific number of days of sick/personal leave. Full time instructional employees are eligible to one day per month up to ten days of active work during the ten-month period. Employees wishing to carry forward unused days, at year end, may do so. The employees may only cash out if they have used three days or less of their sick and personal days in that school year and there must be a balance of twenty-one days remaining in the sick bank. The employees cannot cash out more than ten days per school year and are required to always maintain a minimum of ten days of unused sick days. The cash out value is eighty percent of their daily rate. Upon termination, sick pay is not paid out.

Government Accounting Standards Board (GASB) Statement 16, Accounting for Compensated Absences, requires governmental agencies to record as a liability the vested and future rights to sick and/or vacation leave. The School has no accrued compensated absences as of June 30, 2010.

Unearned revenues: Unearned revenues at the government-wide level and governmental funds are reported when the School receives resources before it has earned the revenues.

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

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

Note 3 Capital Assets

Capital asset activity for the fiscal year ended June 30, 2010 was as follows:

	Balance July 1, <u>2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2010</u>
Governmental activities				
Leasehold improvements	\$ -	\$ 22,504	\$ -	\$ 22,504
Furniture, equipment, and textbooks	<u>139,511</u>	<u>340,250</u>	<u>-</u>	<u>479,761</u>
Total capital assets being depreciated	<u>139,511</u>	<u>362,754</u>	<u>-</u>	<u>502,265</u>
Less accumulated depreciation for:				
Furniture, equipment, and textbooks	<u>(16,214)</u>	<u>(57,319)</u>	<u>-</u>	<u>(73,533)</u>
Total capital assets being depreciated, net	<u>123,297</u>	<u>305,435</u>	<u>-</u>	<u>428,733</u>
Governmental activities capital assets, net	<u>\$123,297</u>	<u>\$305,435</u>	<u>\$ -</u>	<u>\$428,733</u>

Depreciation expense was charged to the Instruction, School Administration, Food Services, Operation of Plant and Maintenance of Plant function/programs of the School.

Note 4 Equipment Lease Purchase

Equipment purchase lease of approximately \$90,000 owed to Academica Dade, LLC for equipment purchased for School operations. The lease bears no interest and payment is due from available cash flows of the School. The School may prepay the lease at any time, however, full payment is due by June 30, 2012.

Note 5 Defined Contribution Plan

The School contributes to a defined contribution plan, created in accordance with Internal Revenue Code Section 401(k). The plan currently covers four (4) full-time employees of the School. Under the plan, the School provides a match of 50% up to 4% of employee salary. The School made plan contributions of approximately \$1,192 during the fiscal year.

The plan's assets are administered by Mass Mutual Financial Group. The School does not exercise any control or fiduciary responsibility over the plan's assets.

Note 6 Commitments and Contingencies

Management Agreement: The City has a contract with Academica Dade, LLC ("Academica") for administrative and educational management services for the operations of the School. The contract expires in June 2012 with option to renew for two more years and provides for a management fee of \$450 per student Full Time Equivalent (FTE). Total fees paid to the management company for fiscal year ended June 30, 2010 were approximately \$108,450.

Academica Dade, LLC is located at 6361 Sunset Drive, Miami, Florida 33143 and its officers are:

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

Grants: Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable School. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

Note 7 Related Party Transactions

The School's operations are located at a facility that is owned by the City. The School is leasing its premises from the City under an operating lease agreement, which expires on August 31, 2011. The base rent amount for the use of facilities is \$1 per year plus insurance (contents only) and utilities.

The City also charged the School a usage fee of \$82,500 for the use of City facilities.

Note 8 Risk Management

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

SUPPLEMENTARY INFORMATION

CITY OF HIALEAH EDUCATION ACADEMY
(A Special Revenue Fund of the City of Hialeah, Florida)
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive/(Negative)
	Original	Final		
Revenues:				
Local sources	\$ 1,450,000	\$ 1,367,300	\$ 1,388,218	\$ 20,918
Federal through state	-	200,000	306,064	106,064
Charges for services	10,000	20,000	31,472	11,472
Miscellaneous	-	-	101	101
Total revenues	<u>1,460,000</u>	<u>1,587,300</u>	<u>1,725,855</u>	<u>138,555</u>
Expenses:				
Current:				
Salaries and benefits	741,800	911,800	909,506	2,294
Purchased/contract services	150,000	163,900	140,082	23,818
Rent and utilities	64,300	176,000	170,258	5,742
Materials and supplies	95,000	85,000	63,625	21,375
Food services	64,500	86,400	61,049	25,351
Other	86,250	6,250	5,717	533
Depreciation	40,000	50,000	57,320	(7,320)
Total expenses	<u>1,241,850</u>	<u>1,479,350</u>	<u>1,407,557</u>	<u>71,793</u>
Change in net assets	<u>\$ 218,150</u>	<u>\$ 107,950</u>	<u>\$ 318,298</u>	<u>\$ 210,348</u>

See notes to budgetary comparison schedule.

CITY OF HIALEAH EDUCATION ACADEMY
(A Special Revenue Fund of the City of Hialeah, Florida)
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2010

Notes to Budgetary Comparison Schedule

Note A.

The School formally adopted a budget for the fiscal year ended June 30, 2010. Budgeted amounts may be amended by resolution or ordinance by the City Commission. The budget has been prepared in accordance with the accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the budgeted amounts for the School is presented as supplementary information.

Note B.

The budget is adopted using the accrual basis of accounting which is the basis of accounting used to present the School's government wide financial statements. For reporting purposes the budget the 5% administrative charge of \$72,730 that is retained by the School Board of Miami Dade County is reduced from revenues reported as Local Sources. Revenues from local sources of \$1,388,218 have been reduced by the administrative charge of \$72,730.

COMPLIANCE SECTION



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

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

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Education Academy
Hialeah, Florida

We have audited the special purpose financial statements of the City of Hialeah Education Academy (the "School") as of and for the fiscal year ended June 30, 2010, and have issued our report dated August 25, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered 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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School'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 School's internal control.

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida

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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standard*.

This report is intended solely for the information and use of the Mayor, Council Members, School's management, the Auditor General of the State of Florida and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than those specified parties.

Alberni Caballero & Company, LLP

Coral Gables, Florida
August 25, 2010



Albani, Caballero
& Company, L.L.P.

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

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida
City of Hialeah Education Academy
Hialeah, Florida

We have audited the special purpose financial statements of the City of Hialeah Education Academy (the "School"), a special revenue fund of the City of Hialeah, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated August 25, 2010.

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.

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters; which is dated August 25, 2010, and should be considered in conjunction with this management letter.

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

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding financial audit report.
2. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. Recommendations to improve the School's financial management, accounting procedures and internal controls have been included in the Schedule of Recommendations that follows this letter.
3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

To the Honorable Mayor and City Council Members of the
City of Hialeah, Florida

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.
5. Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The name and title are disclosed in the accompanying special purpose financial statements.
6. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we have 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.

Pursuant to Chapter 119, Florida Statutes, this management letter is public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of the Mayor, Council Members, School's management, the Auditor General of the State of Florida and the School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than those specified parties.

Alberni Caballero & Company, LLP

Coral Gables, Florida
August 25, 2010

CITY OF HIALEAH EDUCATION ACADEMY
(A Special Revenue Fund of the City of Hialeah, Florida)
Schedule of Recommendations
For the Fiscal Year Ended June 30, 2010

OTHER MATTERS

2010-1 Budgeting

During our audit, we noted that the School adopts a budget using the accrual basis of accounting and not the modified accrual basis of accounting. Since the School is a special revenue fund of the City of Hialeah and the fund financial statements are presented using the modified accrual basis of accounting we recommend that the School adopt its budget using the same basis of accounting as other special revenue funds of the City of Hialeah.

Management's response:

We agree with the Auditors' recommendation and for 2010-11 we have adopted the budget using the modified accrual basis of accounting.