

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

**BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL
INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2011

INDEPENDENT AUDITORS' REPORT



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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, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

We have audited the accompanying financial statements of the governmental activities and the major fund of the City of Hialeah Education Academy, Inc. (the "School") (a Special Revenue Fund of the City of Hialeah, Florida), as of and for the fiscal year ended June 30, 2011, 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.

As discussed in Note 1, the financial statements present only the City of Hialeah Education Academy, Inc., a Special Revenue Fund of the City of Hialeah, Florida. These financial statements do not purport to, and do not, present fairly the financial position of the City of Hialeah, Florida as of June 30, 2011 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 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, Inc., as of June 30, 2011, 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
City of Hialeah Education Academy, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

In accordance with *Government Auditing Standards*, we have also issued our report dated August 19, 2011 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 19 and 20 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Alberni Caballero & Company, LLP

Coral Gables, Florida
August 19, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information)

Management's Discussion and Analysis
City of Hialeah Education Academy, Inc.
(A Special Revenue Fund of the City of Hialeah, Florida)
June 30, 2011

Our discussion and analysis of the City of Hialeah Education Academy, Inc.'s (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2011. 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 School exceeded its liabilities at June 30, 2011 by \$560,558 compared to \$346,187 as of June 30, 2010 (net assets).
2. At June 30, 2011, the School had current assets on hand of \$195,647 compared to \$186,198 as of June 30, 2010 and current liabilities of \$96,795 compared to \$178,744. The decrease in current liabilities was due to decreases in accounts payable at year end.
3. The net assets of the School increased by \$214,371 during 2011 compared to \$27,889 during the prior year.
4. At June 30, 2011, the School reported \$98,852 of unreserved fund balance compared to \$7,454 as of June 30, 2010; an increase of \$91,398.
5. The School's enrollment increased from 241 students at the end of 2010 to 330 at the end of 2011.

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, 2011 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 - 18 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 \$ 560,558 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2011:

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>%</u>
Cash	\$156,515	\$96,198	\$60,317	63%
Receivable and other	39,132	90,000	-50,868	-57%
Capital Assets, net	<u>461,706</u>	<u>428,733</u>	<u>32,973</u>	<u>8%</u>
Total Assets	<u>\$657,353</u>	<u>\$614,931</u>	<u>\$42,422</u>	<u>7%</u>
Current liabilities	96,795	178,744	-81,949	-46%
Due in more than one year	-	<u>90,000</u>	<u>-90,000</u>	<u>-100%</u>
Total Liabilities	<u>\$96,795</u>	<u>\$268,744</u>	<u>-171,949</u>	<u>-64%</u>
Invested in Capital Assets, net of related debt	461,706	338,733	122,973	36%
Unrestricted	<u>98,852</u>	<u>7,454</u>	<u>91,398</u>	<u>1226%</u>
Total Net Assets	<u>\$560,558</u>	<u>\$346,187</u>	<u>\$214,371</u>	<u>62%</u>

Total assets increased during the current year mainly due to capital additions net of depreciation and increase in cash as a result of the collection of receivables and current year operations. Total liabilities also decreased due to pay down of accounts payable and payoff of capital lease.

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, 2011 follows.

	<u>2011</u>	<u>2010</u>	<u>Change</u>	<u>%</u>
REVENUES				
Program Revenues				
Operating Grants and Contributions	\$266,003	\$131,019	\$134,984	103%
Capital Grants and Contributions	39,171	175,045	-135,874	-78%
Charges for Services	13,910	31,472	-17,562	-56%
General Revenues				
FTE nonspecific revenues	1,998,818	1,460,948	537,870	37%
Miscellaneous	<u>28</u>	<u>101</u>	<u>-73</u>	<u>-72%</u>
Total Revenues	<u>2,317,930</u>	<u>1,798,585</u>	<u>519,345</u>	<u>29%</u>
EXPENSES				
Instruction	1,096,762	757,569	339,193	45%
Instructional Staff Training Services	20,516	7,942	12,574	158%
Board	13,160	10,785	2,375	22%
School Administration	504,630	323,649	180,981	556%
Facilities acquisition and construction	6,659	-	6,659	100%
Fiscal Services	49,481	36,350	13,131	36%
Food Services	106,920	96,113	10,807	11%
Central Services	65,859	44,519	21,340	48%
Operation of Plant	207,160	183,486	23,674	13%
Maintenance of Plant	<u>32,409</u>	<u>19,874</u>	<u>12,535</u>	<u>63%</u>
Total Expenses	<u>2,103,559</u>	<u>1,480,287</u>	<u>616,610</u>	<u>42%</u>
Increase in Net Assets	214,371	318,298	27,889	9%
Net Assets at Beginning of Year	<u>346,187</u>	<u>27,889</u>	<u>186,482</u>	<u>669%</u>
Net Assets at End of Year	<u>\$560,558</u>	<u>\$346,187</u>	<u>214,371</u>	<u>62%</u>

The School's revenue and expenses increased by \$519,345 and \$616,610; respectively, as a result of an increase in student enrollment. The School had an increase in net assets of \$346,187 for the fiscal year.

ACCOMPLISHMENTS

In 2011, the School successfully completed its third year of operations. The School earned a letter grade of "A," and ranked among the top-performing public high schools in Miami-Dade County. It also received a School Recognition Award from the State of Florida and met Adequate Yearly Progress under the *No Child Left behind Act*. Most impressively, the School ranked in the top 25% in Proficiency (mastery) for all public high schools in Miami-Dade County in Math, and had the 3rd highest score among all public high schools in Overall Learning Gains in Math. This past year, students who enrolled in the Firefighting Academy were offered the Dual Enrollment Emergency Medical Technician certificate course (EMT). In addition, students had a 92% passing rate in the AP Spanish Language Exam.

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

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>2011</u>	<u>2010</u>	<u>Change</u>	<u>%</u>
Cash	\$156,515	\$96,198	\$60,317	63%
Receivable and other	39,132	90,000	-50,868	-57%
Total Assets	<u>\$195,647</u>	<u>\$186,198</u>	<u>\$ 9,449</u>	<u>5%</u>
Liabilities	96,795	178,744	-81,949	-46%
Unreserved Fund Balance	<u>\$ 98,852</u>	<u>\$ 7,454</u>	<u>\$91,398</u>	<u>1,226%</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>2011</u>	<u>2010</u>	<u>Change</u>	<u>%</u>
REVENUES				
Local Sources	\$2,042,853	\$1,460,948	\$581,905	40%
Federal through state	261,139	306,064	-44,925	-15%
Charges for services	13,910	31,472	-17,562	-56%
Miscellaneous	28	101	-73	-72%
Total Revenues	<u>2,317,930</u>	<u>1,798,585</u>	<u>519,345</u>	<u>29%</u>
EXPENSES				
Instruction	989,623	704,846	284,777	40%
Instructional Staff Training Services	20,519	7,942	12,577	158%
Board	13,160	10,785	2,375	22%
School Administration	501,023	321,857	179,166	56%
Fiscal Services	49,481	36,350	13,131	36%
Food Services	106,645	95,840	10,805	11%
Central Services	65,859	44,519	21,340	48%
Operation of Plant	201,392	181,130	20,262	11%
Maintenance of Plant	32,234	19,699	12,535	64%
Debt Service	90,000	103,325	-13,325	-13%
Capital outlay	156,596	362,755	-206,159	-57%
Total Expenses	<u>2,226,532</u>	<u>1,889,048</u>	<u>337,484</u>	<u>18%</u>
Excess (Deficiency) of revenues				
Over expenditures before other				
Financing Sources	<u>91,398</u>	<u>(90,463)</u>	<u>181,861</u>	<u>-201%</u>

OTHER FINANCING SOURCE

Proceeds from capital lease	<u>-</u>	<u>90,000</u>	<u>-90,000</u>	<u>-100%</u>
Net Change in Fund Balance	91,398	(463)	91,861	>100%
Fund Balance Beginning of Year	<u>7,454</u>	<u>7,917</u>	<u>-463</u>	<u>-6%</u>
Fund Balance End of Year	<u>\$98,852</u>	<u>\$ 7,454</u>	<u>\$91,398</u>	<u>1,226%</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 241 students at the end of 2010 compared to 330 at the end of 2011.

Capital Assets and Debt Administration

The School's investment in capital assets as of June 30, 2011 amounts to \$461,706 (net of accumulated depreciation). Major capital asset additions in the current year included new furniture, computers, equipment and textbooks.

The School has no outstanding debt.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the City adopted an annual budget for the School. A budgetary comparison schedule has been provided for the governmental funds to demonstrate compliance with the School's budget and it is reported on page 19. The main increase in the final budget to the amended budget was due to an increase in funding received by the School, as the original budget was prepared using a lower anticipated enrollment figure. Instructional and administrative expenditures also increased as a result of the actual enrollment being higher than anticipated.

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.

BASIC FINANCIAL STATEMENTS

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

STATEMENT OF NET ASSETS
 JUNE 30, 2011

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 156,515
Receivable	24,573
Prepaid	<u>14,559</u>
Total current assets	<u>195,647</u>
Non-current assets:	
Capital assets, depreciable	658,862
Less: accumulated depreciation	<u>(197,156)</u>
Total non-current assets	<u>461,706</u>
Total assets	<u>657,353</u>
<u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	3,790
Accrued payroll	84,053
Other liabilities	<u>8,952</u>
Total current liabilities	<u>96,795</u>
<u>NET ASSETS</u>	
Invested in capital assets	461,706
Unrestricted	<u>98,852</u>
Total net assets	<u>\$ 560,558</u>

See notes to special purpose financial statements.

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

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
	\$	-	\$	\$
Governmental activities:				
Instruction	1,096,762	-	153,441	(943,321)
Instructional staff training services	20,519	-	-	(20,519)
Board	13,160	-	-	(13,160)
School administration	504,630	-	-	(489,532)
Facilities acquisition and construction	6,659	-	-	(6,659)
Fiscal services	49,481	-	-	(49,481)
Food services	106,920	13,910	112,562	19,552
Central services	65,859	-	-	(65,859)
Operation of plant	207,160	-	-	(183,087)
Maintenance of plant	32,409	-	24,073	(32,409)
Total governmental activities	2,103,559	13,910	266,003	(1,784,475)
General revenues:				
FTE nonspecific revenues				1,998,818
Miscellaneous income				28
Total general revenues				1,998,846
Change in net assets				214,371
Net assets, Beginning				346,187
Net assets, Ending				560,558

See notes to special purpose financial statements.

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

BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2011

<u>ASSETS</u>		
Cash and cash equivalents		\$ 156,515
Receivable		24,573
Prepaid		14,559
Total assets		<u>\$ 195,647</u>
<u>LIABILITIES</u>		
Accounts payable		\$ 3,790
Accrued payroll		84,053
Other liabilities		8,952
Total liabilities		<u>96,795</u>
<u>FUND BALANCE</u>		
Unreserved		<u>98,852</u>
Total fund balance		<u>98,852</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>461,706</u>
Net assets of governmental activities		<u>\$ 560,558</u>

See notes to special purpose financial statements.

CITY OF HIALEAH EDUCATION ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Revenues:	
Local sources	\$ 2,042,853
Federal through state	261,139
Charges for services	13,910
Miscellaneous	<u>28</u>
Total revenues	<u>2,317,930</u>

Expenditures:	
Current:	
Instruction	989,623
Instructional staff training services	20,519
Board	13,160
School administration	501,023
Fiscal services	49,481
Food services	106,645
Central services	65,859
Operation of plant	201,392
Maintenance of plan	32,234
Debt service:	
Principal	90,000
Capital outlay	<u>156,596</u>
Total expenditures	<u>2,226,532</u>

Net change in fund balance	<u>91,398</u>
Fund balance - Beginning	<u>7,454</u>
Fund balance - Ending	<u>98,852</u>

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

Net change in fund balances - total governmental fund	91,398
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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	156,596
Less current year depreciation	(123,623)

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.

Principal payments	<u>90,000</u>
Change in net assets of governmental activities	<u>\$ 214,371</u>

CITY OF HIALEAH EDUCATION ACADEMY, INC.

(A Special Revenue Fund of the City of Hialeah, Florida) Notes to Basic Financial Statements

Note 1 Organization and Operations

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

The School is reported as a special revenue fund of the City of Hialeah, Florida. The financial statements of the School present only the balances, activity, and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of the City as of June 30, 2011, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Enrollment and Grade Configuration

<u>School Name and Address</u>	<u>Location No.</u>	<u>Grades</u>	<u>Enrollment</u>	<u>School Principal</u>
City of Hialeah Education Academy 2590 W 76th Street, Hialeah, FL 33016	7262	9 th , 10 th , 11 th 12 th (*)	330	Carlos O. Alvarez

(*) Only 9th, 10th and 11th grades for the fiscal year ended June 30, 2011

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

Oversight Committee

Carlos Hernandez – Chair (Mayor of the City of Hialeah)
Isis Garcia Martinez – Vice Chair (City Council President of the City of Hialeah)
Luis Gonzalez – Secretary/Treasurer (City Council Vice President of the City of Hialeah)
Jose F. Caragol (City Council Member of the City of Hialeah)
Vivian Casals-Muñoz (City Council Member of the City of Hialeah)
Paul B. Hernandez (City Council Member of the City of Hialeah)
Luis Gonzalez (City Council Member of the City of Hialeah)
Katherine Cue Fuente (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 to the City by the sponsoring school district, the Miami-Dade County Public School District (the "District"). The current charter is effective until June 30, 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 reported as a special revenue fund of the City of Hialeah, Florida.

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

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

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

In the government-wide statement of net 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 (2) categories: invested in capital 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.

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with two financial institutions. The School's accounts at these institutions, at times, may exceed the federally insured limit. However, management believes that amounts over the federally insured limit of \$250,000 are covered by the temporary unlimited insurance coverage for noninterest-bearing accounts provided by the Dodd-Frank Deposit Insurance Provision. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk.

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.

Income taxes: The School is a nonprofit corporation whose revenues is derived primarily from governmental entities and is also controlled by a governmental entity (the City of Hialeah, Florida). The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic 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.

Post-retirement benefits: The School provides no post-retirement benefits to employees other than the match to the defined contribution plan.

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 in order to cash out. The employees cannot cash out more than ten days per school year and are required to always maintain a minimum of ten days of unused sick days. The cash out value is eighty percent of their daily rate. Upon termination, sick pay is not paid out.

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, 2011.

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, 2011 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Governmental activities				
Leasehold improvements	\$ 22,504	\$ 59,580	\$ -	\$ 82,084
Furniture, equipment, and textbooks	<u>479,761</u>	<u>97,016</u>	-	<u>576,777</u>
Total capital assets being depreciated	<u>502,265</u>	<u>156,596</u>	-	<u>658,863</u>
Less accumulated depreciation for:				
Furniture, equipment, and textbooks	<u>(73,533)</u>	<u>(123,623)</u>	-	<u>(197,156)</u>
Total capital assets being depreciated, net	<u>428,733</u>	<u>32,973</u>	-	<u>461,706</u>
Governmental activities capital assets, net	<u>\$428,733</u>	<u>\$ 32,973</u>	\$ -	<u>\$461,706</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 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 five (5) 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 \$1,290 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 5 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 2014 with option to renew 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, 2011 were approximately \$148,442.

Academica Dade, LLC is located at 6340 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

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

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

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

Note 6 Related Party Transactions

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 \$86,000 for the use of other City facilities.

On June 30, 2011, the School entered into a facilities lease agreement with the City which calls for an annual base rent equal to \$500 for each student enrolled in the School. The base rent is to be paid in equal monthly installments, plus payments of insurance and utilities. The lease also calls for an annual usage fee of \$88,580 for the use of City services and park facilities payable in equal monthly installments. The usage fee increases at 3% per year and is prorated between the School and the City of Hialeah Construction, Architecture, and Design Academy (a separate charter school operated by the City whose first year of operations will be the 2011-2012 school year). The term of the lease is three years ending on August 31, 2014.

Note 7 Risk Management

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

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

Note 8 Subsequent Events

Management evaluated subsequent events from July 1, 2011 through August 19, 2011 the date that the financial statements were available to be published. No events were identified during this review of subsequent events that required adjustment to or disclosure within these financial statements.

SUPPLEMENTARY INFORMATION

CITY OF HIALEAH EDUCATION ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)
 BUDGETARY COMPARISON SCHEDULE
 FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive/(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local sources	\$ 1,892,550	\$ 2,025,000	\$ 2,042,853	\$ 17,853
Federal through state	250,000	260,000	261,139	1,139
Charges for services	-	10,000	13,910	3,910
Miscellaneous	-	-	28	28
Total revenues	<u>2,142,550</u>	<u>2,295,000</u>	<u>2,317,930</u>	<u>22,930</u>
Expenses:				
Current:				
Instruction	905,750	990,000	989,623	377
Instructional staff training services	20,000	22,500	20,519	1,981
Board	15,000	15,000	13,160	1,840
School administration	425,000	505,000	501,023	3,977
Fiscal services	40,000	50,000	49,481	519
Food services	100,000	107,500	106,645	855
Central services	60,000	75,021	65,859	9,162
Operation of plant	200,000	202,500	201,392	1,108
Maintenance of plan	30,000	33,000	32,234	766
Debt service:				
Principal	90,000	90,000	90,000	-
Capital outlay	<u>125,000</u>	<u>160,000</u>	<u>156,596</u>	<u>3,404</u>
Total expenses	<u>2,010,750</u>	<u>2,250,521</u>	<u>2,226,532</u>	<u>23,989</u>
Change in net assets	<u>\$ 131,800</u>	<u>\$ 44,479</u>	<u>\$ 91,398</u>	<u>\$ 46,919</u>

See notes to budgetary comparison schedule.

CITY OF HIALEAH EDUCATION ACADEMY, INC.
(A Special Revenue Fund of the City of Hialeah, Florida)
NOTES TO BUDGETARY COMPARISON SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011

Notes to Budgetary Comparison Schedule

Note A.

The School formally adopted a budget for the fiscal year ended June 30, 2011. Budgeted amounts may be amended by resolution or ordinance by the City Commission. The budget has been prepared in accordance with the accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the budgeted amounts for the School is presented as supplementary information.

Note B.

For the fiscal year ended June 30, 2011, there were supplemental appropriations totaling \$239,771 which were funded with additional local sources received.

COMPLIANCE SECTION



Albani, 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, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

We have audited the basic financial statements of the governmental activities and the major fund of the City of Hialeah Education Academy, Inc. (the "School") (a Special Revenue Fund of the City of Hialeah, Florida) of the as of and for the fiscal year ended June 30, 2011, and have issued our report dated August 19, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

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

Compliance and Other Matters

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

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 19, 2011



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

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& CONSULTANTS

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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, Inc. (a Special Revenue Fund of the City of Hialeah, Florida)
Hialeah, Florida

We have audited the basic financial statements of the governmental activities and major fund of the City of Hialeah Education Academy, Inc. (the "School"), (a Special Revenue Fund of the City of Hialeah, Florida), as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated August 19, 2011.

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 19, 2011, 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. Corrective actions have been taken to address the recommendation made in the preceding annual financial audit period.
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. In connection with our audit, we did not have such recommendations.
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 occurred, or are likely to have occurred, 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.