

SPIRAL TECH ELEMENTARY
CHARTER SCHOOL
MIAMI, FLORIDA
JUNE 30, 2005

Financial Statements, Independent Auditor's Report,
Independent Auditor's Report on Compliance
and Internal Control, and Management Letter

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SCHOOL CHOICE
AND PARENTAL OPTIONS
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TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report on the Financial Statements	1
Management Discussion and Analysis (MD&A)	3
Government-Wide – Statement of Net Assets	8
Government-Wide – Statement of Activities	9
Fund Financial Statement – Balance Sheet	10
Fund Financial Statement – Statement of Revenues Expenditures and Changes in Fund Balance	11
Notes to the Financial Statements	12
Report on Compliance and on Internal Control over Financial Reporting	20
Management Letter in Accordance with the Rules of the Auditor General	22
Schedule of Findings	24

SPIRAL TECH ELEMENTARY CHARTER SCHOOL
12400 SOUTHWEST 72ND STREET
MIAMI, FLORIDA 33183

PRINCIPAL

Gisela Batan

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Spiral Tech Elementary Charter School
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities, and each major fund of Spiral Tech Elementary Charter School (the "School") which is a component unit of the Miami-Dade County School Board as of and for the year ended June 30, 2005, as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the School as of June 30, 2004, were audited by other auditors whose report dated August 30, 2004, included an explanatory paragraph that raised substantial doubt about its ability to continue as a going concern as discussed in Note 6 on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, and each major fund of the School as of June 30, 2005, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

The accompanying financial statements have been prepared assuming that the company will continue as a going concern. As discussed in note 7 to the financial statements, the company has suffered recurring losses from operations and has a net capital deficiency that raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in note 7. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.



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To the Board of Directors of
Spiral Tech Elementary Charter School
Miami, Florida

In accordance with *Government Auditing Standards*, we have also issued a report dated September 20, 2005 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 and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Tania Linder, P.A.

September 20, 2005



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MANAGEMENT DISCUSSION AND ANALYSIS

As management of Spiral Tech Elementary Charter School (the "School"), we offer the readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2005. The School's management discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the School's financial activity, identify changes in the School's financial position, and identify individual fund issues or concerns. We encourage readers to consider the information presented here in conjunction with the School's financial statements.

The School's financial statements are designed to present users with a general overview of the School's finances and to demonstrate the School's accountability. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Executive Director, Spiral Tech Elementary Charter School, 12400 SW 72nd Street, Miami, FL 33183.

FINANCIAL HIGHLIGHTS

- The School's overall net assets reached a deficit of approximately \$519,000.
- The School's total ending unrestricted net assets had a deficit of approximately \$594,000.
- The School had total expenses for the year of approximately \$675,000 compared to revenues of approximately \$514,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements included in this annual report contain government-wide financial statement that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

- Statement of Net Assets – reports the School's assets and liabilities at the end of the fiscal year and provides information about the nature and amounts of resources and obligations to creditors.
- Statement of Activities – reports the School's current year revenues and expenses recorded using the accrual basis of accounting (i.e. regardless of when cash is received or paid.)
- Statement of Revenue, Expenses, and Change in Net Assets – the results of activity over the course of the fiscal year. It details the costs associated with operating the School and how those costs were funded. It also provides an explanation of the change in net assets from the previous fiscal year end to the current fiscal year end.
- The financial statements also include notes that provide required disclosures and other information necessary to gather the full meaning of the material presented in the statements.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business type activities, which are generally financed in whole or in part by fees charged to external parties for goods and services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. These provide more detailed information about the School's funds.

Governmental Funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can be readily converted to cash. This provides a short-term view of the governmental fund's financial position to help determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Given that this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with these statements. This information helps to explain the difference between the fund financial statements and the government-wide financial statements.

The School sees no reason to separate its finances into funds and reports all activities through one individual governmental fund, which is the General Fund.

CONDENSED FINANCIAL INFORMATION

The following tables provide the condensed financial information derived from the government-wide financial statements comparing current year to prior year.

	Total Governmental Activities		Total Percentage Change
	2005	2004	
Non-Capital Assets	47,298	48,691	-3%
Fixed Assets, Net	<u>75,385</u>	<u>78,170</u>	-4%
Total Assets	122,683	126,861	
Current Liabilities	503,694	375,872	34%
Non-current Liabilities	<u>137,488</u>	<u>49,725</u>	176%
Total Liabilities	641,182	425,597	51%
Net Assets			
Invested in capital assets, net of related debt	75,385	78,170	-4%
Unrestricted	<u>(593,884)</u>	<u>(376,906)</u>	58%
Total net assets	(518,499)	(298,736)	74%

The net assets may serve over time as a useful indicator of the School's financial position. The School's net assets showed an approximate \$519,000 deficit at the end of this year, which is a substantial decrease from the prior year's approximate \$299,000. This deficit does not mean that the School does not have resources available to pay its bills next year. Rather, it is the results of having total commitments that are greater than currently available resources.

	Total Governmental Activities		Total Percentage Change
	2005	2004	
Revenues			
State Source FTE	477,819	428,331	12%
Capital Outlay	36,234	33,547	8%
Total Revenues	514,053	461,878	11%
Expenses			
Basic Instruction	272,609	291,364	-6%
General Support Services	334,059	144,466	131%
Operation of Plant	67,844	26,254	158%
Capital Outlay	-	164,955	-100%
Unallocated Depreciation	-	19,584	-100%
Pupil Transportation Service	1,195	2,910	0%
Total Expense	675,707	649,533	4%
Change in Net Assets	(161,654)	(187,655)	-14%
Beginning Net Assets	(356,845) *	(111,081)	221%
Ending Net Assets	(518,499)	(298,736) *	74%

The School's total revenue increased from prior year by 11% to approximately \$514,000. All of the School's revenues are derived from grant funding sources. This increase in revenues is attributed to a slight increase in Full Time Equivalent (FTE) units in fiscal year 2005.

The School's total expenses increased from prior year by 4% to approximately \$676,000. This increase in expenditures is attributed to the increase in activities in the year.

* The impact to the net assets is created by the adjustment to the prior period figures. This adjustment is mainly attributed to a liability the School incurred upon engaging the services of Shubin & Bass, P.A. These are attorneys engaged by the School during fiscal year 2003 for the purposes of zoning issues regarding the portables located on the School's ground at that time. See note # 8 in the financial statements.

SUMMARY OF THE FINANCIAL POSITION AND RESULTS OF OPERATIONS

GOVERNMENTAL ACTIVITIES

Governmental activities for fiscal year 2005 generated \$514,053 in general revenues and incurred \$675,707 of program expenses. This resulted in a (\$161,654) deficiency in net assets.

The total deficit fund balance was \$456,396. Revenues increased by 11 percent and expenses increased by 4 percent as compared to the prior fiscal year. Although the School achieved its goal for funds generated through school projects in the current year, they experienced higher costs in instructional expenses.

BUDGETARY HIGHLIGHTS

There were no changes between the original and final budgets for the General Fund.

Revenues received overall were far less than the budgeted amounts.

Expenditures were overall below budgeted amounts.

FIXED ASSETS AND DEBT ADMINISTRATION

Fixed Assets

There was no significant capital assets activity during 2005. Please refer to Note 2 for more detailed information about the School's capital asset activity.

Debt Administration

Long-Term Debt in the amount of \$49,938 was utilized to assist in the capital outlay needs of the organization. The remainder of the long term debt is a liability due to Shubin & Bass, P.A. for legal representation regarding a zoning issue and the remaining \$15,000 is a loan from Teresa Rodriguez to help in the payment of outstanding payroll taxes.

ECONOMIC FACTORS

Economic factors affecting the School's operations included operational changes, limited classroom space, and the State's base student allocation.

SPIRAL TECH ELEMENTARY CHARTER SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2005

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 37,873	\$ 37,873
Security deposit	9,425	9,425
Grants receivable	-	-
Prepays	-	-
Fixed assets, net of accumulated depreciation:		
Improvements other than buildings	75,385	75,385
Furniture, fixtures & equipment	-	-
Total assets	<u>122,683</u>	<u>122,683</u>
<u>LIABILITIES</u>		
Accounts payable	12,323	12,323
Payroll liabilities	340,433	340,433
Other liabilities	150,938	150,938
Noncurrent liabilities:		
Due within one year	49,938	49,938
Due in more than one year	<u>87,550</u>	<u>87,550</u>
Total Liabilities	<u>641,182</u>	<u>641,182</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	75,385	75,385
Unrestricted	<u>(593,884)</u>	<u>(593,884)</u>
Total net assets	<u>\$ (518,499)</u>	<u>\$ (518,499)</u>

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

SPIRAL TECH ELEMENTARY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2005

FUNCTIONS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental activities	Total
Primary Government:						
Governmental activities:						
Basic instruction	\$ 272,609	\$ -	\$ -	\$ -	\$ (272,609)	\$ (272,609)
General support activities	334,059	-	-	-	(334,059)	(334,059)
Pupil transportation services	1,195	-	-	-	(1,195)	(1,195)
Operation of plant	67,844	-	-	-	(67,844)	(67,844)
Total governmental activities	<u>675,707</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(675,707)</u>	<u>(675,707)</u>
GENERAL REVENUES:						
Grants and contributions not restricted to specific programs					514,053	514,053
Total general revenues and transfers					<u>514,053</u>	<u>514,053</u>
Change in net assets					(161,654)	(161,654)
Net assets, July 1					(356,845)	(356,845)
Net assets, June 30					<u>\$ (518,499)</u>	<u>\$ (518,499)</u>

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

**SPIRAL TECH ELEMENTARY CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General Fund</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and cash equivalents	\$ 37,873	\$ 37,873
Grant receivable	-	-
Security deposit	<u>9,425</u>	<u>9,425</u>
Total assets	<u>\$ 47,298</u>	<u>\$ 47,298</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 12,323	\$ 12,323
Payroll liabilities	340,433	340,433
Other liabilities	<u>150,938</u>	<u>150,938</u>
Total liabilities	<u>503,694</u>	<u>503,694</u>
Fund balances:		
Unreserved	<u>(456,396)</u>	<u>(456,396)</u>
Total fund balances	<u>(456,396)</u>	<u>(456,396)</u>
Total liabilities and fund balances	<u>\$ 47,298</u>	<u>\$ 47,298</u>

Amounts reported for governmental activities in the statement
of net assets are different because: (456,396)

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the
governmental funds. 75,385

Long-term liabilities, including bonds payable, are not due and
payable in the current period and therefore are not reported in
the governmental funds. (137,488)

Net assets of governmental activities \$ (518,499)

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

SPIRAL TECH ELEMENTARY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED JUNE 30, 2005

	<u>General</u>	<u>Total Governmental Funds</u>
REVENUES:		
State source FTE	477,819	477,819
Capital outlay	<u>36,234</u>	<u>36,234</u>
Total revenues	<u>514,053</u>	<u>514,053</u>
EXPENDITURES:		
Basic instruction	272,609	272,609
General support services	302,815	302,815
Operation of plant	<u>67,844</u>	<u>67,844</u>
Total expenditures	<u>643,268</u>	<u>643,268</u>
Excess (deficiency) of revenues (under) expenditures	(129,215)	(129,215)
Fund balances, beginning	<u>(327,181)</u>	<u>(327,181)</u>
Fund balances, ending	<u>\$ (456,396)</u>	<u>\$ (456,396)</u>

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

Net change in fund balances - total government funds	\$ (129,215)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.	(12,963)
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues.	(19,476)
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Change in net assets of governmental activities	<u>\$ (161,654)</u>
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The notes to the basic financial statements are an integral part of this statement.

**SPIRAL TECH ELEMENTARY CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

1. NATURE OF ACTIVITIES

Successful Enterprises, Inc., doing business as, Spiral Tech Elementary Charter School is a non-profit corporation incorporated on June 22, 1998 in the State of Florida. The fictitious name of Spiral Tech Elementary Charter School was filed on July 31, 1998.

The primary purpose is the interpretation and application of the Miami-Dade School Board's educational goals and objectives. The school recognizes that learning is a lifetime process and strives to offer the best academic programs in the best environment for character growth and social development. The grade level objectives for the different subject areas are implemented through a Competency Based Curriculum.

Spiral Tech Elementary Charter School is a not-for-profit corporation organized in 1998 pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The not-for-profit corporation conducts business as Spiral Tech Elementary Charter School, Inc. (the "School"). The governing body of the School is the not for profit corporation's Board of Directors which is composed of five voting members.

The general operating authority of the School is contained in Section 228.056, Florida Statutes. The School operates under a charter of the sponsoring school district, the Miami Dade County Public School Board (the District). The current charter is effective until June 30, 2008, and may be renewed every five years provided that a program review demonstrates that certain criteria addressed in Section 228.056(9)(a), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to review 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. Pursuant to Section 228.056(10)(e) of the Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. This School is considered a component unit of the District.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. The Governmental Accounting Standards Board (GASB) is the standard setting body for governmental accounting and financial reporting. In June 1999, The GASB unanimously approved "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" (Statement #34). As a component unit of a larger governmental unit, the school was required to implement GASB Statement #34 for fiscal year 2002.

The basic financial statements include both government wide (based on the school as a whole) and fund financial statements. While the previous financial reporting model emphasized fund types (the total of all funds of a particular type), in the new financial reporting model, the focus is on either the School as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. In the government-wide Statement of Net Assets, both the governmental and business type activities are reflected on a full accrual basis.

The government-wide Statement of Activities reflects both the gross and net cost per functional category. The Statement of Activities reduces gross expenses by the related program revenues and operating and capital grants. The program revenue must be directly associated with the function or a business type activity.

The government-wide focus is more on the sustainability of the School as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are, in substance, very similar to the financial statements presented in the previous financial reporting model. Emphasis is on the major funds in either the governmental or business type categories. Non-major funds are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the School's actual experience conforms to the approved budget. Since the governmental funds statements presents on a different measurement focus and basis of accounting than the government-wide statement's governmental column, a reconciliation is presented at the bottom of the page. The reconciliation briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

a. Basis of Presentation - continues

The financial transactions of the School are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

Statement #34 set forth minimum criteria for the determination of major funds. The school only has one major fund.

b. Basis of Accounting

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

The Government-wide Financial Statements are presented on an accrual basis of accounting. The Fund financial statements are presented on a modified accrual basis.

All governmental fund types are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

c. Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 228.056(13), Florida Statutes, the School reports the number of full time equivalent (FTE) students and related data to the District. Under the provision of Section 236.081, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculation by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School received a Federal award for the enhancement of various education programs. This assistance is generally received based on applications submitted to and approved by the granting agency.

d. Fixed Assets and Depreciation

Fixed assets consist of leasehold improvements and furniture, fixtures and equipment. These are recorded at cost and depreciated using the straight-line method over a three to ten year estimated useful lives. The School capitalizes assets with cost greater than \$500 and a useful life greater than one year.

d. Fixed Assets and Depreciation - continues

Repairs and maintenance are expensed as incurred. Improvements which increase the life of the assets are capitalized. The carrying amount of assets sold is retired and the related accumulated depreciation is eliminated in the year of disposal and the resulting gain or loss is credited or charged to operations.

Donated Assets are recorded at fair value at the date of donation. Depreciation on all assets is provided on the straight-line basis over the estimated useful life. The depreciation of general fixed assets is recorded in the Government-wide financial statements.

e. Compensated Absences

The School does not pay employees for unused sick and vacation time. Unused hours expire at the end of the school year. Therefore, no compensated absences are recorded.

f. Income Taxes

The School is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as a public supported organization.

g. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. GENERAL FIXES ASSETS

General fixed assets consist of the following:

	<u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Leasehold Improvements	49,440	-	-	49,440
Furniture, Fixtures and Equipment	<u>80,159</u>	<u>-</u>	<u>-</u>	<u>80,159</u>
Total	129,599	-	-	129,599
Accumulated Depreciation	<u>(51,429)</u>	<u>(2,785)</u>	<u>-</u>	<u>(54,214)</u>
Net Fixed Assets	<u>78,170</u>	<u>(2,785)</u>	<u>-</u>	<u>75,385</u>

4. LEASES AND OTHER OBLIGATIONS

The School entered into a lease for one-year term, commencing August 1, 2004 and ending July 31, 2005. The lease is not subject to additional rent throughout the lease term. Total rent expense for the year ended June 30, 2005 is \$99,000. The future minimum rental commitments for fiscal year 2005 and beyond are as follows:

For the year ending June 30,

2006	\$	9,000
2007		-
2008		-
Thereafter		<u>-</u>
Total	\$	9,000

The net balance of the rentals account to the \$99,000 is composed of other rentals (i.e. portable classroom that were used in the beginning of the school year.). In addition, there is a large liability reported as other liabilities in the amount of \$150,938. This amount is the unpaid portion of rent for fiscal year 2004 – \$60,4888 – and fiscal year 2005 unpaid portion of \$90,450.

5. PAYROLL LIABILITIES

As of June 30, 2005, the School has outstanding payroll taxes and other related liabilities of approximately \$500,000 including interest and penalties. The outstanding amount represents payroll taxes that were not paid during fiscal year 2002. The School has entered into an installment agreement with the Internal Revenue Service to repay this debt. The installment agreement called for an initial payment of approximately \$16,000. The School at the time did not have the funds to make this payment. Therefore, the School entered into a promissory installment note with Teresa Rodriguez in the amount of \$15,000.

The School will be paying the trust fund portion of the employment tax liability of \$240,111 in the early part of fiscal year 2006. Once this portion is paid it is the intent of the School to file an Offer in Compromise to have the balance waived. Due to the uncertainty of the total amount outstanding and the possibility of the remaining balance being waived, the School reports only the portion of the interest and penalties that is known \$100,322.

6. BUDGETARY COMPARISON SCHEDULE

The budgetary information for the School is presented following the notes to the financial statements as part of the required supplementary information as mandated by GASB Statement #34.

7. ABILITY TO CONTINUE AS A GOING CONCERN

As of June 30, 2005, the consideration on the ability for Spiral Tech to Continue as a Going Concern is extremely high. The School has had difficulty in the past two years and continues to generate a deficiency of revenue over expenditures. The School continues to have a negative working capital. The School also continues to find it difficult to increase their revenues through enrollment of additional students due to their lack of space.

Management has entered into a repayment agreement with the Internal Revenue Service to repay the outstanding payroll tax obligations as stated in note 5. This repayment and possible waiver of a portion of this debt will alleviate the burden. In addition, management intends to increase enrollment in fiscal year 2006 to increase revenue and reverse the deficiency issue.

8. NOTES PAYABLE

Notes payable as of June 30, 2005 consist of the following:

	<u>Balance</u> <u>July 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2005</u>
Union Planters - Debt	\$ 49,725	\$ 213	\$ -	\$ 49,938
Teresa Rodriguez - Debt	-	15,000	-	15,000
Shubin & Bass - Debt	<u>72,550</u>	<u>-</u>	<u>-</u>	<u>72,550</u>
Total	\$ 122,275	\$ 15,213	\$ -	\$ 137,488

The Union Planter's debt has a maturity date of January 15, 2007 with a current interest of 8.01%.

The Teresa Rodriguez debt which was obtained to provide the initial payment to the Internal Revenue Service for the installment agreement for outstanding payroll taxes as stated in note 5 of these financial statements has a maturity date of 12 months from the date of execution. However, this note was executed on August 4, 2004 and it is still outstanding. Thus, we moved the note to the long term debt section.

The Shubin & Bass debt are legal fees incurred as a result of a zoning matter regarding the portables classrooms the School once had on the premises. The School entered into a payment plan with a letter and down payment check dated June 18, 2003 to pay the total amount of the fees outstanding \$74,550. The School stands firm stating that by the firm cashing the check confirms their agreement to the payment plan. In so far there is no rate of interest associated with this payment plan. The plan calls for an initial payment of \$2,000, which has been satisfied and the subsequent monthly payments of \$500 per month. This payment plan has also being regarded as long term, since the School will not be able to completely pay the outstanding debt in one year or less.

9. RISK MANAGEMENT PROCESS

The School is exposed to various risks or loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurances.

**SPIRAL TECH ELEMENTARY CHARTER SCHOOL
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2005**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
State source FTE	617,032	617,032	477,819	(139,213)
Other revenue	<u>96,000</u>	<u>96,000</u>	<u>36,234</u>	<u>(59,766)</u>
Total revenues	<u>713,032</u>	<u>713,032</u>	<u>514,053</u>	<u>(198,979)</u>
 EXPENDITURES				
Basic instruction	296,000	296,000	272,609	23,391
General support service	372,774	372,774	302,815	69,959
Operation of plant	<u>33,300</u>	<u>33,300</u>	<u>67,844</u>	<u>(34,544)</u>
Total expenditures	<u>702,074</u>	<u>702,074</u>	<u>643,268</u>	<u>58,806</u>
 Excess (deficiency) of revenues over expenditures	10,958	10,958	(129,215)	(257,785)
 Net change in fund balance	<u>10,958</u>	<u>10,958</u>	<u>(129,215)</u>	<u>(257,785)</u>
 Fund balances, beginning	<u>(327,181)</u>	<u>(327,181)</u>	<u>(327,181)</u>	<u>-</u>
Fund balances, ending	<u>\$ (316,223)</u>	<u>\$ (316,223)</u>	<u>\$ (456,396)</u>	<u>\$ (257,785)</u>

See notes to budgetary comparison schedules.



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Independent Accountants' Report On Compliance and On Internal Control Over Financial Reporting Based On An Audit Of Financial Statements Performed In Accordance With Government Auditing Standards

To the Board of Directors of
Spiral Tech Elementary Charter School

We have audited the general-purpose financial statements of Spiral Tech Elementary Charter School (the "School"), as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005 and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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 grants, 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 test disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We did not note any matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that in our judgment, could adversely affect the School's ability to record, process, summarize and report data consistent with assertions of management of the financial statements.



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To the Board of Directors of
Spiral Tech Elementary Charter School

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

Tania Lardis, P.A.

September 20, 2005



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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors of
Spiral Tech Elementary Charter School
Miami, Florida

We have audited the financial statements of Spiral Tech Elementary Charter School (the "School") as of and for the year ended June 30, 2005, and have issued our report thereon dated September 20, 2005. 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 also issued our report on compliance and internal control over financial reporting, dated September 20, 2005 and should be considered in conjunction with this management letter.

In connection with our audit of these basic financial statements of the School for the fiscal year ended June 30, 2005, we report the following in accordance with the provisions of Chapter 10.850, Rules of the Auditor General, Charter School Audits which require that this report specifically address but not limited to the matters outlined in Rule 10.854(1)(d):

1. No inaccuracies, shortages, defalcations, fraud and/or violations of laws, rules, regulations and contractual provisions were reported in the preceding annual financial audit, except as disclosed in the Schedule of Findings.
2. All recommendations made in the preceding annual financial audit have been addressed, except as disclosed in the Summary Schedule of Prior Audit Findings. There were no prior audit findings noted.
3. Recommendations to improve the School's present financial management, accounting procedures and internal controls are accompanying this report in the Schedule of Findings.



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To the Board of Directors of
Spiral Tech Elementary Charter School
Miami, Florida

1. During the course of our audit, nothing came to our attention that caused us to believe that the School:
 - a. Was in violation of any laws, rules, regulations or contractual provisions .
 - b. Made any illegal or improper expenditures.
 - c. Had improper or inadequate accounting procedures.
 - d. Failed to record financial transactions.
 - e. Had other inaccuracies, shortages, defalcations, and instances of fraud.

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

Tania Lardero, D.A.

September 20, 2005



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SPIRAL TECH ELEMENTARY CHARTER SCHOOL
SCHEDULE OF FINDINGS
FISCAL YEAR ENDED JUNE 30, 2005

NON-COMPLIANCE

Finding 2005-1 Audited Statements Submitted Beyond Deadline

The School was not able to submit audited financial statements by no later than September 20, 2005 for the fiscal year 2005 financial statements as required by the Charter Agreement. Management was informed late in the year by the prior auditing firm that they would not be performing the audit for fiscal year 2005. In addition, the process of the audit was interrupted by the early hurricane season.

Recommendation

We recommend that management seeks a communication with the licensed certified public accounting firm that is going to perform the audit prior to the end of the fiscal year to make other arrangements in the event the prior auditor is not able to perform accordingly.

Management's Response

Management agreed with the recommendation and stated that they will communicate with their licensed certified public accounting firm that is going to perform the audit prior to the end of the fiscal year. In addition, management stated that while they have control of initiating the communication with the licensed certified public accounting firm, they can't be held responsible for the delays caused by the hurricanes. Therefore, pursuant Part VIII (1) of the Charter Agreement management feels that they should not be considered in default.