Somerset Academy
(A charter school under Somerset Academy, Inc.)
(A Charter School and Component Unit
of the School Board of Miami Dade County, Florida)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2013

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Somerset Academy
(A charter school under Somerset Academy, Inc.)
W/L# 0520
18491 SW 134 Avenue
Miami, Florida 33177

2012-2013

BOARD OF DIRECTORS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy (the "School"), a charter school under Somerset Academy, Inc., which is a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2013, which collectively comprises the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Somerset Academy at June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy at June 30, 2013, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2013 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2013, on our consideration of the School's internal control over financial reporting and on 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 the 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 4 through 8 and 27 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an 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 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.

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2013

Management's Discussion and Analysis
Somerset Academy
(A Charter school Under Somerset Academy, Inc.)
June 30, 2013

The corporate officers of Somerset Academy have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2013.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2013 by $900,432 (net assets).
2. At year-end, the School had current assets on hand of $686,598.
3. The School had an increase in its net assets of $170,431 for the year ended June 30, 2013.
4. The unassigned fund balance at year end was $148,938.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2013 are presented in accordance with GASB Codification Section 2200. 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 basic 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 9 - 10 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 Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 – 15 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 16 - 26 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 $ 900,432 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2013 follows:

	2013	2012
Cash and cash equivalent	$ 556,079	$ 605,337
Prepaid Expenses	92,193	70,268
Due from other charter schools	237,000	62,000
Due from other agency	6,741	-
Capital Assets, net	227,597	264,188
Security deposits	31,585	31,585
Total Assets	$ 1,151,195	$ 1,033,378
Deposits	$ 73,386	$ 75,286
Accrued Liabilities	-	160,057
Accounts payable	177,377	68,033
Total Liabilities	$ 250,763	$ 303,376
Invested in Capital Assets and long term receivable	$ 464,597	$ 326,188
Restricted	163,119	142,450
Unrestricted	272,716	261,364
Total Net Assets	$ 900,432	$ 730,002

At the end of the year, the School is able to report positive balances in total net assets.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2013 and 2012 follows:

	2013	2012
REVENUES		
Program Revenues		
Capital Outlay funding	$ 181,052	$ 203,884
Operating Grants and Contributions	134,129	194,394
General Revenues		
FTE nonspecific revenues	3,516,386	3,002,381
Other Revenues	526	49,216
Charges for services	242,707	185,375
Total Revenues	$ 4,074,800	$ 3,635,250
EXPENSES		
Component Unit Activities:		
Instruction	$ 1,833,446	$ 1,742,957
Instructional Staff Training Services	1,560	2,051
Board	13,981	29,740
School Administration	481,407	440,950
Facilities Acquisition and Construction	33,519	34,215
Fiscal Services	126,475	80,375
Food Services	138,370	146,403
Central Services	116,689	88,406
Operation of Plant	819,487	895,995
Community Services	181,751	144,627
Maintenance of Plant	157,684	50,949
Total Expenses	3,904,369	3,656,668
Increase in Net Assets	170,431	(21,418)
Net Assets at Beginning of Year	730,002	751,420
Net Assets at End of Year	$ 900,432	$ 730,002

Student enrollment increased for 2013 by approximately 63 students. As a result, The School's revenues and expenses increased by $439,550 and $247,701, respectively, in the current year. The School had an increase in its net assets of $170,431 for the year.

School Location and Lease of Facility

The School leases a facility located at 18491 SW 134th Avenue.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

School Enrollment

This past year, the School had approximately 576 students enrolled in grades kindergarten through fifth.

Achievements

In 2013, Somerset Academy completed its 8th year of operation, serving over 575 students in grade K-5. The School received its seventh grade of "A," ranking among the highest-performing public elementary schools in all of Miami-Dade County.

This past year Somerset Academy students participated in various community service projects and fundraisers such as the United Way fundraiser, iPads for Soldiers, Amigos for Kids Toy Drive, Thanksgiving Food Drive, Scholastic Book Fair, and the World's Finest Chocolate Sale. Students were recognized for various accomplishments and participation in events such as the Somerset Spelling Bee and the Miami Herald Spelling Bee. Students participated in various clubs and team sports, including the National Junior Honor Society, FEA, Environmental Club, Drama Club, Fairchild Challenge Participants Elementary and Secondary Levels, Basketball, Football, Volleyball and a championship Soccer team. Somerset students also participated in school-based musical productions, including the Somerset Holiday Show.

Somerset Academy's facilities have been recognized nationally for "Outstanding Elementary and Middle School Building Design" in The American School and University Magazine, a national publication on educational facilities.

As a member of the Somerset Academy network of high quality charter schools, Somerset Academy is fully accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division. It is one of only a few public elementary schools in Miami-Dade County to be fully accredited by AdvancEd. As with all the schools within the network, Somerset Academy places high expectations for student learning and offers multiple opportunities for all students to acquire requisite knowledge, skills, and attitudes in a safe and nurturing environment. Key to achieving successful learning for all students is the school's implementation of research–based instructional strategies by a highly qualified instructional staff, and the use of innovative resources in a technology-rich setting.

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, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of $435,835. The fund balance unassigned and available for spending at the School's discretion is $148,938. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2013 amounts to $227,597 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2013, the School had no long term debt relating to capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital Outlay	$ 168,000	$ 181,000	$ 181,052
School Lunch and other Federal sources	130,000	135,000	134,129
Charges for services and usage fees	210,000	232,000	242,707
General Revenues			
FTE Nonspecific Revenues	3,269,280	3,490,530	3,516,386
Other Revenues	-	-	526
Total Revenues	3,777,280	4,038,530	4,074,800
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	1,575,000	1,795,000	1,780,923
Instructional Staff Training Services	2,500	2,500	1,560
Board	15,000	15,000	13,981
School Administration	300,000	485,000	481,241
Facilities acquisition	1,000	1,000	687
Fiscal Services	140,000	130,000	126,475
Food Services	170,000	140,000	138,015
Central Services	140,000	120,000	116,689
Operation of Plant	737,303	806,000	797,827
Community Services	142,000	185,000	181,751
Maintenance of Plant	125,000	150,000	146,472
Total Current Expenditures	3,347,803	3,829,500	$ 3,785,621

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy
(A charter school under Somerset Academy, Inc)

Statement of Net Assets
June 30, 2013

Assets

Current assets:	
Cash and cash equivalents	$ 556,079
Prepaid expenses	92,193
Due from other agencies	6,741
Security deposits	31,585
	686,598
Capital assets, depreciable	1,044,953
Less: accumulated depreciation	(817,356)
	227,597
Long-term receivable from other charter school	237,000
Total Assets	$ 1,151,195

Liabilities and Net assets

Current liabilities:	
Salaries and wages payable	$ 177,377
Deposits	73,386
Total Liabilities	250,763
Net assets:	
Invested in capital assets and long-term receivables	464,597
Restricted by lease agreement	163,119
Unrestricted	272,716
Total Net Assets	900,432
Total Liabilities and Net Assets	$ 1,151,195

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

Somerset Academy
(A charter school under Somerset Academy, Inc)

Statement of Activities
For the year ended June 30, 2013

FUNCTIONS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:					
Instruction	$ 1,833,446	$ -	$ 16,564	$ -	$ (1,816,882)
Instructional staff training	1,560	-	-	-	(1,560)
Board	13,981	-	-	-	(13,981)
School administration	481,407	-	-	-	(481,407)
Facilities acquisition	33,519	-	-	-	(33,519)
Fiscal services	126,475	-	-	-	(126,475)
Food services	138,370	66,316	117,565	-	45,511
Central services	116,689	-	-	-	(116,689)
Operation of plant	819,487	-	-	181,052	(638,435)
Maintenance of plant	157,684	-	-	-	(157,684)
Community Services	181,751	176,391	-	-	(5,360)
Total governmental activities	3,904,369	242,707	134,129	181,052	(3,346,481)
	FTE nonspecific revenues				3,516,386
	Interest and other revenue				526
	Change in net assets				170,431
	Net assets, beginning				730,001
	Net assets, ending				$ 900,432

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

Somerset Academy
(A charter school under Somerset Academy, Inc)

Balance Sheet - Governmental Funds
June 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 556,079	$ -	$ 556,079
Due from other agencies	-	6,741	6,741
Prepaid expenses	92,193	-	92,193
Due from other schools	-		-
Due from funds	6,741		6,741
Security deposits	31,585	-	31,585
Total Assets	$ 686,598	$ 6,741	$ 693,339
Liabilities			
Salaries and wages payable	$ 177,377	$ -	$ 177,377
Due to funds	-	6,741	6,741
Deposits	73,386	-	73,386
Total Liabilities	250,763	6,741	257,504
Fund balance			
Restricted	163,119	-	163,119
Unassigned	148,938	-	148,938
Nonspendable, not in spendable form	123,778	-	123,778
	435,835	-	435,835
Total Liabilities and Fund Balance	$ 686,598	$ 6,741	$ 693,339

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

Somerset Academy
(A charter school under Somerset Academy, Inc)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
For the year ended June 30, 2013

Total Fund Balance - Governmental Funds	$	435,835
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets of $1,044,953 net of accumulated depreciation of $817,356 used in governmental activities are not financial resources and therefore are not reported in the fund.		227,597
Disbursement from issurance of long-term receivables is a current financial expenditure to government funds, but such increases long-term assets in the statement of net assets.		237,000
Total Net Assets - Governmental Activities	$	900,432

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

Somerset Academy
(A charter school under Somerset Academy, Inc)

Statement of Revenues, Expenditures and Changes in Fund Balance -Governmental Funds
For the year ended June 30, 2013

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	$ -	$ 181,052	$ 181,052
State passed through local	3,516,386	-	3,516,386
Federal school lunch and other federal sources	-	134,129	134,129
Interest and other revenue	526	-	526
Charges for services	176,391	66,316	242,707
Total Revenues	3,693,303	381,497	4,074,800
Expenditures:			
Current			
Instruction	1,777,322	3,601	1,780,923
Instructional staff training services	1,560	-	1,560
Board	13,981	-	13,981
School administration	481,241	-	481,241
Facilities acquisition	687	-	687
Fiscal services	126,475	-	126,475
Food services	-	138,015	138,015
Central services	116,689	-	116,689
Operation of plant	616,775	181,052	797,827
Maintenance of plant	146,472	-	146,472
Community services	181,751	-	181,751
Capital Outlay:			
Other capital outlay	69,195	12,963	82,158
Debt Service:			
Redemption of Principal	-	-	-
Interest			
Total Expenditures	3,532,148	335,631	3,867,779
Excess (deficit) of revenues over expenditures	161,155	45,866	207,021
Other financing sources			
Disbursement of long-term debt	(175,000)		(175,000)
Transfers in and (out)	45,866	(45,866)	-
Net change in fund balance	32,021	-	32,021
Fund Balance at beginning of year	403,814	-	403,814
Fund Balance at end of year	$ 435,835	$ -	$ 435,835

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

Somerset Academy
(A charter school under Somerset Academy, Inc)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2013

Net Change in Fund Balance - Governmental Funds	$	32,021
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of $82,158 differed from depreciation expense of $118,748.		(36,590)
Disbursement from issurance of long-term receivables is a current financial expenditure to government funds, but such increases long-term assets in the statement of net assets.		175,000
Change in Net Assets of Governmental Activities	$	170,431

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

Somerset Academy
(A charter school under Somerset Academy, Inc)

Statement of Net Assets - Fiduciary Funds
June 30, 2013

	2013
	Agency Funds
Assets	
Cash	$ 47,960
Total Assets	$ 47,960
Liabilities	
Due to students and clubs	$ 47,960
Total Liabilities	$ 47,960
Net assets	$ -

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy (the "School"), is a component unit of the School Board of Miami-Dade County, Florida (the "District"). The Schools charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, which is composed of nine members and also governs other charter schools.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2028 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the 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 charters expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

The School is located in Miami, Florida for students from kindergarten through fifth grades and is funded by the District. These financial statements are for the year ended June 30, 2013, when approximately 576 students were enrolled for the school year.

Basis of presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements
Fund financial statements are provided for governmental and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for specific revenue, such as capital outlay funding and federal lunch program that are legally restricted to expenditures for particular purposes.

Agency Fund – Schools internal funds accounts for resources of the schools' Internal Fund which is used to administer monies collected at the schools in connection with school, student activities, class, and club activities.

Measurement Focus and Basis of Accounting
The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Note 1 – Summary of Significant Accounting Policies (continued)

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Deposits and Investments

All deposits are held in major banks and high grade investments. The School has not adopted a formal investment policy; however the School invests excess deposit funds in collateralized repurchase agreements. Cash and cash equivalents include all highly liquid investments with a maturity of three months or less. All deposits and investments in repurchase agreements are carried at cost plus accrued interest.

Inter-fund Transfers

Outstanding balances between funds are reported as "due to/from other funds. Inter-fund transfers are made to move any excess or shortage of funds derived from the National School Lunch Program from the Special Revenue Fund to the General Fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of $500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	20 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a "benefit year"). In the event that available time is not used by the end of the benefit year, employees may "rollover" all unused days for use in future benefit years. There is an opportunity to "cash out" unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years.

The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

In addition, the School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net assets and Fund balance 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 borrowings that are attributable to the acquisition or improvement of those assets.
b) Restricted net assets - consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. Restricted net assets of the School relate to reserves required by the landlord for property maintenance and repairs.
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."

Note 1 – Summary of Significant Accounting Policies (continued)

Fund financial statements
Under GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list below:

a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted fund balance of the School relate to reserves required by the landlord for property maintenance and repairs.
c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
e) Unassigned - portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Order of Fund Balance Spending Policy
The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Income Taxes
Somerset Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States 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 statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events
In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2013, which is the date the financial statements were available to be issued.

Note 2 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2013:

	Balance 7/1/12	Additions	Retirements	Balance 6/30/13
Capital Assets:				
Improvements	$ 196,366	$ 19,116	$ -	$ 215,482
Furniture, equipment and textbooks	766,429	63,042	-	829,471
Total Capital Assets	962,795	82,158	-	1,044,953
Less Accumulated Depreciation:				
Improvements	(54,059)	(34,783)		(88,842)
Furniture, equipment and textbooks	(644,548)	(83,966)	-	(728,514)
Total Accumulated Depreciation	(698,607)	(118,749)	-	(817,356)
Capital Assets, net	$ 264,188	$ (36,590)	$ -	$ 227,597

For the fiscal year ended June 30, 2013, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	$	52,523
School administration		166
Facilities acquisition		32,832
Food services		354
Operation of plant		21,662
Maintenance of plant		11,212
Total Depreciation Expense	$	118,749

Note 3 – Deposits and Investments

Deposits

The School maintains its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2013, the bank balance of the School's deposits and investments was $931,269; of which $201,269 consisted of bank balances and $730,000 was fully collateralized under a repurchase agreement with Regions Bank (the "Bank").

Deposits at FDIC-insured institutions are insured up to $250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2013, bank balances in potential excess of FDIC coverage totaled $249,229; including fiduciary account bank balances.

Investments and Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2013, all of the School's investments in repurchase agreements were held as part of the Bank's investment portfolio.

The School has not formally approved an investment policy regarding custodial credit risk; however it mitigates its credit risk risk by maintaining excess funds available in overnight repurchase agreements. Amounts invested in repurchase agreements are secured obligations collateralized by securities that include: non-callable U.S. Government and Agency Securities; Callable and Structured Agency Securities; Agency Mortgage-Backed Securities guaranteed by a federal agency, Bonds issued by government sponsored enterprises, Freddie Mac and Fannie Mae. Amounts invested in repurchase agreements are not insured by the FDIC and are subject to investment risks, including possible loss of principal invested, and if the Bank fails the School will become a secured creditor and may become an unsecured general creditor to the extent the market value of the securities used as collateral falls below the outstanding amount of repurchase obligations to the School.

Note 4 –Management Agreement

Academica Dade, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of $450 per full time equivalent (FTE) student per year. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2014, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2013, the School incurred approximately $259,425, in management fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

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

Note 5 –Related Party Transactions

The School shares its facility with Somerset Academy Charter Middle School (another charter school under Somerset Academy, Inc.). As result certain activities such as fundraising activities are recorded in the books of the School and not in those of Somerset Academy Charter Middle School. The school also made a loan to Somerset Academy Grace for $237,000 under a promissory note agreement.

The School's lunch program is shared with various schools. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

In addition, the School operates an after school program. Revenues from these programs are recorded as charges for services, under the community services function. Total revenues from these programs for 2013 were $166,462.

Somerset Academy, Inc. (the "Corporation") charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2013, the School paid $14,425 to the Corporation for these shared costs.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2013, administrative fees withheld by the School District totaled $30,379.

Note 6 – Commitments and Contingencies

The School entered into a lease and security agreement with Valencia School Development, LLC for its 51,200 square feet including all ancillary facilities, outdoor areas and other improvements. The Landlord is an affiliate of the School's management company (See Note 4). This facility is shared with Somerset Academy Charter Middle School (a charter school under Somerset Academy, Inc.). Initial fixed annual payments under this agreement (based on $13.50 per square foot) or approximately $691,000 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through August 15, 2026 with an option to renew for an additional five-year term. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00 and maintaining a reserve for property expenses such as repairs, maintenance, taxes or insurance. Finally, under this agreement the School has granted a first lien on its pledged revenues, which include all revenues collected by the school from the Florida Department of Education, the District, and all other sources.

Lease payments are allocated among the two schools based on enrollment and usage of facility. The allocation used for 2013, was 72% for the School and 28% for Somerset Academy Charter Middle School. For 2013, rent expense totaled $585,878, out which approximately $579,612 related to the facility lease.

Future minimum payments for the full lease (shared with Somerset Academy Charter Middle School) are as follows:

Year	
2014	$816,249
2015	$816,249
2016	$816,249
2017	$816,249
2018	$816,249
2019-2023	$4,081,244 (Total for five-year period)
2024-2026	$2,448,746 (Total for three-year period)

Note 6 – Commitments and Contingencies (continued)

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

The School participates in a number of Federal and State grant programs which are subject to audit in accordance with Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations". The School expects such expenditures, if any, which may be disallowed by the granting agencies to be immaterial.

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. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 8 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School provides a defined contribution 401(k) plan sponsored through ADP TotalSource Group, Inc. covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan, the School will provide a match of 50% up to 4% of employee compensation. Contributions to the plan were $16,446 for the year ended June 30, 2013. The school does not exercise any control or fiduciary responsibility over the plans' assets.

Somerset Academy
(A charter school under Somerset Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2013

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	$ 3,269,280	$ 3,490,530	$ 3,516,386
Charges for services and usage fees	135,000	165,000	176,391
Interest and other revenues	-	-	526
Total Revenues	3,404,280	3,655,530	3,693,303
EXPENDITURES			
Current:			
Instruction	1,570,000	1,790,000	1,777,322
Instructional Staff			
Training Services	2,500	2,500	1,560
Board	15,000	15,000	13,981
School Administration	300,000	485,000	481,241
Facilities acquisition	1,000	1,000	687
Fiscal Services	140,000	130,000	126,475
Central Services	140,000	120,000	116,689
Operation of Plant	569,303	625,000	616,775
Maintenance of Plant	125,000	150,000	146,472
Community Services	142,000	185,000	181,751
Total Current Expenditures	3,004,803	3,503,500	3,462,953
Excess of Revenues			
Over Current Expenditures	399,477	152,030	230,350
Capital Outlay:			
Other Capital Outlay	96,300	75,000	69,195
Total Capital Outlay and			
Debt Service Expenditures	96,300	75,000	69,195
Total Expenditures	3,101,103	3,578,500	3,532,148
Excess of Revenues			
Over Expenditures	303,177	77,030	161,155
Other financing sources:			
Disbursement of long-term debt		(175,000)	(175,000)
Transfers in	-	37,000	45,866
Fund Balance at beginning of year	403,814	403,814	403,814
Fund Balance at end of year	$ 706,991	$ 342,844	$ 435,835

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Somerset Academy
(A charter school under Somerset Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2013

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	$ 168,000	$ 181,000	$ 181,052
Lunch fees	75,000	67,000	66,316
Federal school lunch and other federal sources	130,000	135,000	134,129
Total Revenues	373,000	383,000	381,497
EXPENDITURES			
Current:			
Instruction	5,000	5,000	3,601
Food Services	170,000	140,000	138,015
Operation of Plant	168,000	181,000	181,052
Total Current Expenditures	343,000	326,000	322,668
Excess of Revenues Over Current Expenditures	30,000	57,000	58,829
Capital Outlay:			
Other Capital Outlay	30,000	20,000	12,963
Total Expenditures	373,000	346,000	335,631
Excess of Revenues Over Expenditures	-	37,000	45,866
Other financing sources:			
Transfers out	-	(37,000)	(45,866)
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ -	$ -	$ -

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors of
Somerset Academy
Miami, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Somerset Academy (the "School") as of, and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

We noted certain matters that we reported to management of in a separate management letter dated August 30, 2013 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2013

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Board of Directors of
Somerset Academy
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy as of and for the year ended June 30, 2013 and have issued our report thereon dated August 30, 2013.

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 Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosure in those reports, which are dated August 30, 2013, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs 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 auditor's report or schedule:

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 findings and recommendations made in the preceding annual financial audit report.

2. Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met.

   In connection with our audit, we determined that Somerset Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

3. 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 have the following observations and recommendations.

ML 13-01 – INTERNAL ACCOUNT

Observation
Control over the internal account needs improvement. We noted that activity in the School's internal fund includes both fiduciary activity and general fundraising activity. The accounting treatment is being applied in the same way for both as funds held in the School's internal account are reported as a liability and the activity is not reflected as revenues or expenses. The activity is also recorded in one general ledger account on a cash basis. In addition, we noted instances where recap sheets for deposits were missing required signatures.

Recommendation
Although generally not material to the financial statements taken as a whole, the activity related to general fundraising should be treated separately from fiduciary type activity. Funds accumulated by fundraising activity should be reflected in the School's net assets as either unrestricted or restricted net assets. In addition, general fundraising revenues and expenses should be reflected in the statement of activities and should be recorded on the accrual basis with reconciliation to the bank statement performed monthly.

4. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with 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 which warrants the attention of those charged with governance.

   In connection with our audit, we did not have any such findings.

5. Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the school.

   The official title of the school is Somerset Academy.

6. Pursuant to Sections 10.854(1)(e)6.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Somerset Academy financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

   We have applied such procedures and no deteriorating financial condition has been noted.

Status of Prior Year Findings and Recommendations

ML 2012-01 – Education Jobs Fund – Special Revenue Funds: During the current year audit procedures, we noted that the School implemented our recommendation and properly included all federal funds in the special revenue fund.

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Dade County, Federal and other granting agencies and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2013

Somerset Academy Dade

August 29th, 2013

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Board of Directors to your recommendations:

ML 2013-01 – INTERNAL

Recommendation
Although generally not material to the financial statements taken as a whole, the activity related to general fundraising should be treated separately from fiduciary type activity. Funds accumulated by fundraising activity should be reflected in the School's net assets as either unrestricted or restricted net assets.

In addition, general fundraising revenues and expenses should be reflected in the statement of activities and should be recorded on the accrual basis with reconciliation to the bank statements performed monthly.

Management Response
Management will adhere to auditor's recommendation and Management has assigned staff to work specifically on this project.

Sincerely,

Ana Maria Martinez
Authorized Signor for Somerset Academy, Inc.