

**ADVANTAGE ACADEMY OF MATH  
AND SCIENCE AT WATERSTONE**

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

**INDEPENDENT AUDITOR'S REPORT**

*for the fiscal year ended JUNE 30, 2012*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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# ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE

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

To the Board of Directors of the Advantage Academy of Math and Science at Waterstone,  
a Charter School and Component Unit of the District  
School Board of Miami-Dade County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of the Advantage Academy of Math and Science at Waterstone ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2012, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Advantage Academy of Math and Science at Waterstone as of June 30, 2012, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 24, 2012, on our consideration of the Advantage Academy of Math and Science at Waterstone's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading ***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,

*King & Walker, CPAs*

August 24, 2012  
Tampa, Florida

**ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE**  
*A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Advantage Academy of Math and Science at Waterstone ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2012.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 20.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2012, the School's revenues exceeded expenses as shown on the School's statement of activities by \$26,874.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$26,874.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

#### **Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

## **Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations and internal account activities, and a Special Revenue Fund to account for Federal grant programs. The School has elected to show each of these funds as major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

## **Notes to Financial Statements**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2012:

	Net Assets, End of Year
	<u>Governmental Activities</u>
	<u>6-30-12</u>
<b>ASSETS</b>	
Current and Other Assets	<u>\$ 85,149</u>
Total Assets	<u>85,149</u>
<b>LIABILITIES</b>	
Current Liabilities	<u>58,275</u>
Total Liabilities	<u>58,275</u>
<b>NET ASSETS</b>	
Unrestricted	<u>26,874</u>
Total Net Assets	<u>26,874</u>
Total Liabilities and Net Assets	<u>\$ 85,149</u>

Since this was the first year of operation, there were no prior year amounts for comparison. The assets of the School primarily consist of cash. Liabilities consist primarily of accrued salary and wages payable. Total net assets amounted to \$25,874 which included an Unrestricted Net Asset balance of \$25,874.



The key elements of the changes in the School's net assets for the fiscal year ended June 30, 2012 are as follows:

<b>Operating Results for the Year</b>	
<u>Governmental Activities</u>	
<u>6-30-12</u>	
<b>Revenues:</b>	
Federal sources	\$ 23,950
State and Local sources	662,211
Total Revenues	<u>686,161</u>
<b>Expenses:</b>	
Instruction	256,849
Instructional Media	2,435
Board of Education	95,965
School Administration	115,395
Facilities Acq. & Construction	188,643
Total Expenses	<u>659,287</u>
<b>Increase in Net Assets</b>	<u><u>\$ 26,874</u></u>

The largest revenue source for the School is the State of Florida (92%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentration of expenses was for Instruction which represents 39% of total expenditures.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

### **Governmental Funds**

As the School completed the year, its governmental funds reported an unrestricted fund balance of \$26,874.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2012, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2012, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule on page 21 for additional information.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Advantage Academy of Math and Science at Waterstone's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the management of Charter School Associates, Inc., 12524 W. Atlantic Blvd., Coral Springs, FL 33071.

**ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE**

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

**STATEMENT OF NET ASSETS**

*June 30, 2012*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	<u>\$ 85,149</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 85,149</u></u>
 <b>LIABILITIES</b>	
Accounts Payable	\$ 14
Salaries and Benefits Payable	32,709
Due To The Charter School at Waterstone	<u>25,552</u>
<b>TOTAL LIABILITIES</b>	<u>58,275</u>
 <b>NET ASSETS</b>	
Unrestricted	<u>26,874</u>
<b>Total Net Assets</b>	<u>26,874</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 85,149</u></u>

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

**ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2012*

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Instruction	\$ 256,849	\$ -	\$ -	\$ -	\$ (256,849)	\$ (256,849)
Instructional Media	2,435				(2,435)	(2,435)
Board of Education	95,965				(95,965)	(95,965)
School Administration	115,395		15,307		(100,088)	(100,088)
Facilities Acquisition & Construction	188,643		8,643		(180,000)	(180,000)
Total Governmental Activities	<u>\$ 659,287</u>	<u>\$ -</u>	<u>\$ 23,950</u>	<u>\$ -</u>	<u>(635,337)</u>	<u>(635,337)</u>
General Revenues:						
State and Local sources					662,211	662,211
Total General Revenues					<u>662,211</u>	<u>662,211</u>
Change in Net Assets					26,874	26,874
Net Assets - July 1, 2011					-	-
Net Assets - June 30, 2012					<u>\$ 26,874</u>	<u>\$ 26,874</u>

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

**ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE****A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA*****BALANCE SHEET - GOVERNMENTAL FUNDS******June 30, 2012***

	General Fund	Special Revenue Fund	Total Governmental Activities
ASSETS			
Cash & Cash Equivalents	\$ 85,149	\$ -	\$ 85,149
Total Assets	<u>\$ 85,149</u>	<u>\$ -</u>	<u>\$ 85,149</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 14	\$ -	\$ 14
Salaries and Benefits Payable	32,709		32,709
Due To The Charter School at Waterstone	<u>25,552</u>		<u>25,552</u>
Total Liabilities	<u>58,275</u>	<u>-</u>	<u>58,275</u>
Fund Balance:			
Spendable:			-
Unassigned	<u>26,874</u>		<u>26,874</u>
Total Fund Balance	<u>26,874</u>	<u>-</u>	<u>26,874</u>
Total Liabilities and Fund Balance	<u>\$ 85,149</u>	<u>\$ -</u>	<u>\$ 85,149</u>

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

**ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE****A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS***For the Fiscal Year Ended June 30, 2012*

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Intergovernmental:			
Federal Through Local	\$ -	\$ 23,950	\$ 23,950
State and Local	662,211		662,211
Total Revenues	<u>662,211</u>	<u>23,950</u>	<u>686,161</u>
<b>Expenditures</b>			
Current - Education:			
Instruction	256,849		256,849
Pupil Personnel Services	2,435		2,435
Board of Education	95,965		95,965
School Administration	100,088	15,307	115,395
Facilities Acquisition & Construction	180,000	8,643	188,643
Total Expenditures	<u>635,337</u>	<u>23,950</u>	<u>659,287</u>
Net Change in Fund Balances	26,874	-	26,874
Fund Balance, July 1, 2011	-	-	-
Fund Balance, June 30, 2012	<u>\$ 26,874</u>	<u>\$ -</u>	<u>\$ 26,874</u>

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

# ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### ➤ Reporting Entity

Advantage Academy of Math and Science at Waterstone ("School") a component unit of the School Board of Miami-Dade County, Florida ("District"), the School is sponsored by its charter-holder, Advantage Academy of Miami, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida, ("District"). The charter was granted starting for the 2011-12 school year and is effective until June 30, 2020 and is subject to annual review and may be renewed by mutual 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 grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

#### ➤ Allocation of Common Expenses

The School shares the same physical location with The Charter School at Waterstone, a related party through common control, and common expenditures. These common expenditures have been allocated between the Schools based on student enrollment.

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

Expenditures that are subject to allocation include, but are not limited to the following functional categories:

- Instruction
- Instructional Media
- Administration
- Operation of Plant

The process of the allocation of common expenses takes place when the expenses are recorded based on a methodical and non-discriminatory basis.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for certain Federal grant program resources.



**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Deposits and Investments**

Cash and cash equivalents are defined as demand deposits, money market accounts, and short term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

# ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years
Leasehold Improvements	20 years

### ➤ **Budgets and Budgetary Accounting**

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

### ➤ **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(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2012, the School reported 107 unweighted FTE and 119.51 Weighted FTE.

# ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

### ➤ **Net Assets and Fund Balance Classification**

#### *Government-wide financial statements*

Net assets are classified and reported in three components:

- Investment 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 attributed to the acquisition or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

# ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### *Fund financial statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 reported within one of the following fund balance categories:

- Nonspendable – 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). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- Assigned – fund balance that is intended to be used by the School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

### ➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

### ➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

# **ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

### **➤ Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

### **2. DUE TO THE CHARTER SCHOOL AT WATERSTONE – (Related Party)**

The amount reported as due to The Charter School at Waterstone results from expenditures paid by The Charter School at Waterstone, a related party through common control, on behalf of the School. Amounts due are expected to be paid within one year.

### **3. FACILITY LEASE**

The School is currently subleasing the school facility from The Charter School at Waterstone. Facility rental charges for the 2011-12 fiscal year amounted to \$180,000.

### **4. OPERATING AGREEMENT**

The School entered into a contract for the period July 1, 2011, to June 30, 2020, with Charter School Associates (CSA). The contract calls for CSA to provide the School with marketing, curriculum design and implementation; student and staff recruiting; principal selection; and general management of the School's operations. An annual fee is to be 5% of the School's gross operating revenue less the School's administrative fee, to be paid in monthly installments. Fees under this agreement incurred to CSA during the 2011-12 fiscal year amounted to \$62,910.

### **5. RISK MANAGEMENT PROGRAMS**

Workers' compensation and general liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

# ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE

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

## NOTES TO FINANCIAL STATEMENTS

June 30, 2012

### 6. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State and local revenue for the 2011-12 fiscal year:

Source	Amount
<u>FEDERAL:</u>	
Charter School Implementation Grant	\$ 23,950
Total Federal Revenue	<u>23,950</u>
<u>STATE:</u>	
Florida Education Finance Program	417,971
Categorical Educational Programs:	
Class Size Reduction	159,618
Supplementary Academic Instruction	34,865
Instructional Materials	8,016
Student Transportation	3,738
Safe Schools	3,011
Lottery Allocation	368
ESE Guaranteed Allocation	4,643
Florida Teachers' Lead Program	1,005
Miscellaneous State Revenue	102
Total State Revenue	<u>633,337</u>
<u>LOCAL:</u>	
Discretionary Millage	28,874
Total Local Revenue	<u>28,874</u>
Total State and Local Revenue	<u>\$ 662,211</u>

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5% of total funding or \$33,055.

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

### 7. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

# **ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE**

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

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2012**

### **8. COMMITMENTS AND CONTINGENT LIABILITIES**

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2012, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

### **9. SUBSEQUENT EVENTS**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

**ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE**

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

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUND- (UNAUDITED)**

*For the Fiscal Year Ended June 30, 2012*

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Intergovernmental:								
Federal through Local	\$ -	\$ -	\$ -	\$ -	\$ 25,000	\$ 23,950	\$ 23,950	\$ -
State and Local	559,790	662,211	662,211	-		-	-	-
Total Revenues	<u>559,790</u>	<u>662,211</u>	<u>662,211</u>	<u>-</u>	<u>25,000</u>	<u>23,950</u>	<u>23,950</u>	<u>-</u>
<b>Expenditures:</b>								
Current - Education:								
Instruction	205,760	256,849	256,849	-		-	-	-
Pupil Personnel Services	2,435	2,435	2,435	-		-	-	-
Board of Education	86,489	95,965	95,965	-	1,075	-	-	-
School Administration	83,670	100,088	100,088	-	17,000	15,307	15,307	-
Facilities Acquisition & Construction	180,000	180,000	180,000	-	6,925	8,643	8,643	-
Total Expenditures	<u>558,354</u>	<u>635,337</u>	<u>635,337</u>	<u>-</u>	<u>25,000</u>	<u>23,950</u>	<u>23,950</u>	<u>-</u>
Net Change in Fund Balances	1,436	26,874	26,874	-	-	-	-	-
Fund Balance, July 1, 2011	-	-	-	-	-	-	-	-
Fund Balance, June 30, 2012	<u>\$ 1,436</u>	<u>26,874</u>	<u>\$ 26,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of the Advantage Academy of Math and Science at Waterstone,  
a Charter School and Component Unit of the District  
School Board of Miami-Dade County, Florida

We have audited the basic financial statements of the Advantage Academy of Math and Science at Waterstone ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2012, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

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

This report is intended for the information and use of the School and its management, the District School Board of Miami-Dade County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

August 24, 2012  
Tampa, Florida

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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Advantage Academy of Math and Science at Waterstone,  
a Charter School and Component Unit of the District  
School Board of Miami-Dade County, Florida

We have audited the basic financial statements of the Advantage Academy of Math and Science at Waterstone ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated August 24, 2012.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 24, 2012. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. This is the School's first audit and therefore, there were no prior audit findings.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

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

The Rules of the Auditor General (Section 10.854(1)(e)3.), requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

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

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Advantage Academy of Math and Science at Waterstone.

This letter is intended for the information and use of the School and its management, the District School Board of Miami-Dade County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

A handwritten signature in black ink that reads "King Q Walker, CPAs". The signature is written in a cursive, flowing style.

August 24, 2012  
Tampa, Florida

# **ADVANTAGE ACADEMY OF MATH AND SCIENCE AT WATERSTONE**

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

## **MANAGEMENT'S RESPONSE TO AUDIT FINDINGS**

**Year Ended June 30, 2012**

The following is the School's response to the item in the Management Letter dated August 24, 2012, as required by Rule 10.857, Rules of the Auditor General:

No response required.