

Somerset Oaks Academy
(A charter school under Somerset Academy, Inc.)
Homestead, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2012

TABLE OF CONTENTS

General Information	1	
Independent Auditors' Report.	2-3	
Management's Discussion and Analysis (Required Supplementary Information)	4-8	
Basic Financial Statements:		
<i>Government-wide Financial Statement:</i>		
Statement of Net Assets	9	
Statement of Activities.	10	
<i>Fund Financial Statements:</i>		
Balance Sheet - Governmental Funds.	11	
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets.	12	
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	13	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	14	
Notes to the Basic Financial Statements	15-22	
Required Supplementary Information:		
Budgetary comparison schedules.	23-24	
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		25-26
Management Letter	27-28	

Somerset Oaks Academy
47 NW 16th Street
Homestead, Fl 33030

2011-2012

BOARD OF DIRECTORS

Andreina Figueroa, Chair & President
Lourdes Marrero, Secretary & Vice-Chair
Daniel Diaz, Treasurer
Dr. Angie Hui Fang Su
David Concepcion

SCHOOL ADMINISTRATION

Idalia Suarez, Principal

INDEPENDENT AUDITORS' REPORT

Board of Directors
Somerset Oaks Academy
Homestead, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Oaks Academy (the "School"), a charter school under Somerset Academy, Inc., a component unit of the District School Board of Miami-Dade County, as of, and for the year ended June 30, 2012, which collectively comprises 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 an opinion 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Oaks Academy at June 30, 2012, 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, 2012 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Somerset Oaks Academy, as of June 30, 2012, and the respective changes in financial position for the 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 our report dated August 30, 2012, 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 23 through 24 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.

Handwritten signature in cursive script that reads "HLB Duvany LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

Management's Discussion and Analysis
Somerset Oaks Academy
(A charter school under Somerset Academy, Inc.)
June 30, 2012

The corporate officers of Somerset Oaks Academy have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2012.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2012 by \$33,822 (net assets).
2. At year-end, the School had current assets on hand of \$34,697.
3. The School had an increase in its net assets of \$33,822 for the period ended June 30, 2012.
4. The unassigned fund balance at year end was \$30,194.

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, 2012 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 – 14 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 15 - 22 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 \$33,822 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2012 follows:

	2012
Cash	\$ 34,697
Capital assets, net	3,629
Total assets	<u>\$ 38,326</u>
Due to other schools	2,500
Accounts payable	2,003
Total liabilities	<u>\$ 4,503</u>
Invested in capital assets	3,629
Unrestricted	30,193
Total net assets	<u>\$ 33,822</u>

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 period from inception through June 30, 2012 follows:

	<u>2012</u>
REVENUES	
Program Revenues	
Capital Outlay funding	\$ 6,074
Operating Grants and Contributions	24,670
Lunch Program	4,916
General Revenues	
FTE nonspecific revenues	108,703
Total Revenues	<u>\$ 144,363</u>
EXPENSES	
Component Unit Activities:	
Instruction	\$ 50,849
Board	180
School Administration	26,270
Fiscal Services	2,693
Food Services	5,677
Central Services	2,773
Operation of Plant	22,098
Total Expenses	<u>110,540</u>
Increase in Net Assets	33,823
Net Assets at Beginning of Year	<u>-</u>
Net Assets at End of Year	<u>\$ 33,823</u>

The 2011-2012 school year was the first year of operation for the school. Accordingly, the financial statement has no comparison with prior year results. Comparative analysis will be provided in future years when prior year information is available.

School Location and Lease of Facility

The School leases a facility located at 47 NW 16th Street, Homestead, Florida 33030.

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 18 students enrolled in grades kindergarten through fifth. For the 2012-13 school year, the School is approved for grades kindergarten through eighth.

Achievements

In 2012, Somerset Oaks Academy opened its doors to 18 students in Kindergarten. The School is temporarily nested at the campus of Somerset Arts Conservatory and will be moving to its permanent location within one year.

As a member of the Somerset Academy family of charter schools, Somerset Oaks Academy is one of the few public elementary schools in Miami-Dade County to be accredited by AdvancEd (formerly the Southern Association of Colleges and Schools).

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, 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 \$30,194. The fund balance unassigned and available for spending at the School's discretion is \$30,194. 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, 2012 amounts to \$3,629 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2012, 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	\$ 5,256	\$ 6,100	\$ 6,074
School lunch and other federal sources	28,000	28,000	28,347
Charges for services	-	1,200	1,239
General Revenues			
FTE Nonspecific Revenues	93,168	108,000	108,703
Total Revenues	<u>\$ 126,424</u>	<u>\$ 143,300</u>	<u>\$ 144,363</u>
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	54,000	51,500	50,849
Board	250	250	180
School Administration	27,000	26,300	26,270
Fiscal Services	3,000	3,000	2,693
Food Services	4,000	5,750	5,677
Central Services	3,000	3,000	2,773
Operation of Plant	25,536	23,100	22,098
Total Current Expenditures	<u>\$ 116,786</u>	<u>\$ 112,900</u>	<u>\$ 110,137</u>

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

Statement of Net Assets
June 30, 2012

Assets

Current assets:

Cash	\$ 34,697
	<u>34,697</u>

Capital assets, depreciable	4,032
Less: accumulated depreciation	<u>(403)</u>
	<u>3,629</u>

Total Assets	<u>\$ 38,326</u>
--------------	------------------

Liabilities and Net assets

Current liabilities:

Due to other schools	\$ 2,500
Accounts payable	<u>2,003</u>
Total Liabilities	4,503

Net assets:

Invested in capital assets	3,629
Unrestricted	<u>30,194</u>
Total Net Assets	<u>33,823</u>

Total Liabilities and Net Assets	<u>\$ 38,326</u>
----------------------------------	------------------

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

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

Statement of Activities
For the year ended June 30, 2012

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 50,849	\$ -	\$ 24,670	\$ -	\$ (26,179)
Instructional staff training	-	-	-	-	-
Board	180	-	-	-	(180)
School administration	26,270	-	-	-	(26,270)
Facilities acquisition	-	-	-	-	-
Fiscal services	2,693	-	-	-	(2,693)
Food services	5,677	1,239	3,677	-	(761)
Central services	2,773	-	-	-	(2,773)
Operation of plant	22,098	-	-	6,074	(16,024)
Total governmental activities	<u>110,540</u>	<u>1,239</u>	<u>28,347</u>	<u>6,074</u>	<u>(74,880)</u>
					FTE nonspecific revenues 108,703
					Interest and other revenue -
					Change in net assets 33,823
					Net assets, beginning -
					<u>Net assets, ending \$ 33,823</u>

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

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

Balance Sheet - Governmental Funds
June 30, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 34,697	\$ -	\$ 34,697
Total Assets	<u>\$ 34,697</u>	<u>\$ -</u>	<u>\$ 34,697</u>
<u>Liabilities</u>			
Accounts payable	\$ 2,003	\$ -	\$ 2,003
Due to other schools	2,500		2,500
Total Liabilities	<u>4,503</u>	<u>-</u>	<u>4,503</u>
<u>Fund balance</u>			
Unassigned	30,194	-	30,194
Nonspendable	-	-	-
	<u>30,194</u>	<u>-</u>	<u>30,194</u>
Total Liabilities and Fund Balance	<u>\$ 34,697</u>	<u>\$ -</u>	<u>\$ 34,697</u>

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

Somerset Oaks 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, 2012

Total Fund Balance - Governmental Funds \$ 30,194

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

Capital assets of \$4,032 net of accumulated depreciation of \$403 used in governmental activities are not financial resources and therefore are not reported in the fund.

3,629

Total Net Assets - Governmental Activities

\$ 33,823

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

Somerset Oaks 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, 2012

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 6,074	\$ 6,074
State passed through local	108,703	-	108,703
Federal school lunch and other federal sources	-	28,347	28,347
Charges for services	-	1,239	1,239
Total Revenues	108,703	35,660	144,363
Expenditures:			
Current			
Instruction	46,998	3,448	50,446
Board	180	-	180
School administration	6,770	19,500	26,270
Fiscal services	2,693	-	2,693
Food services	-	5,677	5,677
Central services	2,773	-	2,773
Operation of plant	16,024	6,074	22,098
Capital Outlay:			
Other capital outlay	2,310	1,722	4,032
Total Expenditures	77,748	36,421	114,169
Excess (deficit) of revenues over expenditures	30,955	(761)	30,194
Other financing sources			
Transfers in and (out)	(761)	761	-
Net change in fund balance	30,194	-	30,194
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	<u>\$ 30,194</u>	<u>\$ -</u>	<u>\$ 30,194</u>

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

Somerset Oaks 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, 2012

Net Change in Fund Balance - Governmental Funds \$ 30,194

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 \$4,032 differed from depreciation expense of \$403.

3,629

Change in Net Assets of Governmental Activities \$ 33,823

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

Note 1 – Organization and Operations

Somerset Oaks Academy (the "School"), is a charter school under Somerset Academy, Inc., a not-for-profit corporation organized in the State of Florida. The governing body of the School is the board of directors of Somerset Academy, Inc., which also governs other various charter schools. The School operates under a charter granted by the sponsoring district, the District School Board of Miami-Dade County (the "District"). The current charter expires on June 30, 2015 and is renewable for a term pursuant to law and/or by a mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Homestead, Florida for students from kindergarten through fifth grades and is funded by the District.

These financial statements are for the period from inception through June 30, 2012, when approximately 18 students were enrolled in kindergarten for the school year.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the School as a whole. 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 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. 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, namely, the general and special revenue 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.

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. Revenues from non-exchange transactions are reported according to GASB Codification Section 1600.111 and Section N50 *Accounting and Financial Reporting for Non-Exchange Transactions*. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

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 current liabilities. 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. 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.

Note 2 – Summary of Significant Accounting Policies (continued)

Cash

Cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

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.

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:

Furniture, Equipment and Software	5 Years
Textbooks	3 Years

Revenue Sources

Revenues for operations will be 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 an annual allocation of charter school capital outlay funds for leasing of school facilities.

Note 2 – Summary of Significant Accounting Policies (continued)

Finally, the School may also receive 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.

Post-retirement Benefits

The School had no post-retirement benefits to its employees since all payroll costs were incurred through a usage fee paid to Somerset Academy (another charter school under Somerset Academy, Inc.).

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 compensated absences 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.

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 2 – Summary of Significant Accounting Policies (continued)

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.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements

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 - 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 not in spendable form assets.
- 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. There are no restricted fund balances at year-end.
- 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 - fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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, 2012, which is the date the financial statements were available to be issued.

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2012:

	Balance 7/1/11	Additions	Retirements	Balance 6/30/12
Capital assets:				
Furniture, equipment and textbooks	\$ -	\$ 4,032	\$ -	\$ 4,032
Total Capital Assets	-	4,032	-	4,032
Less accumulated depreciation:				
Furniture, equipment and textbooks	-	(403)	-	(403)
Total accumulated depreciation	-	(403)	-	(403)
Capital assets, net	\$ -	\$ 3,629	\$ -	\$ 3,629

Note 3 –Capital Assets (continued)

For the fiscal year ended June 30, 2012, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	403
Total Depreciation Expense	\$	<u>403</u>

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, 2016, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2012, the School incurred approximately \$8,100 in management fees, of which approximately \$1,350 is payable at year end.

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 facilities with Somerset Arts Academy and Somerset Academy Middle School (Country Palms) (other charter schools under Somerset Academy, Inc.). As a result, certain activities such as fundraising and internal fund activities are recorded in the books of Somerset Arts Academy and not by the School. In addition, the school was charged a usage fee by Somerset Arts Academy for use of its facilities, teachers, and resources. The total usage fee paid for the year was approximately \$89,000.

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.

Note 5 – Related Party Transactions (continued)

During the year, the School received an advance of \$2,500 from Somerset Academy Silver Palms (another school under Somerset Academy, Inc.), of which the entire balance is payable at year end.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2012, administrative fees withheld by the School District totaled \$5,434.

Note 6 – Deposits Policy and Credit Risk

It is the School's policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2012, the carrying amount of the School's deposits was \$34,697 and the respective bank balances totaled \$86,397.

Under the Dodd-Frank Act, non-interest bearing deposits at FDIC-insured institutions are fully insured through December 31, 2012. All accounts held by the School are non-interest bearing and therefore fully insured by the FDIC as of June 30, 2012.

Note 7 – Commitments and 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.

Note 8 – Risk Management

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

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2012

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 93,168	\$ 108,000	\$ 108,703
Charges for services and usage fees	-	-	-
Interest and other revenues	-	-	-
Total Revenues	<u>93,168</u>	<u>108,000</u>	<u>108,703</u>
EXPENDITURES			
Current:			
Instruction	50,000	48,000	46,998
Board	250	250	180
School Administration	7,000	6,800	6,770
Fiscal Services	3,000	3,000	2,693
Central Services	3,000	3,000	2,773
Operation of Plant	20,280	17,000	16,024
Total Current Expenditures	<u>83,530</u>	<u>78,050</u>	<u>75,438</u>
Excess of Revenues Over Current Expenditures	<u>9,638</u>	<u>29,950</u>	<u>33,265</u>
Capital Outlay:			
Other Capital Outlay	5,000	4,000	2,310
Total Expenditures	<u>88,530</u>	<u>82,050</u>	<u>77,748</u>
Excess of Revenues Over Expenditures	4,638	25,950	30,955
Other financing sources:			
Transfers out	-	(1,550)	(761)
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	<u>\$ 4,638</u>	<u>\$ 24,400</u>	<u>\$ 30,194</u>

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2012

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 5,256	\$ 6,100	\$ 6,074
Federal school lunch and other federal sources	28,000	28,000	28,347
Lunch fees	-	1,200	1,239
Total Revenues	<u>33,256</u>	<u>35,300</u>	<u>35,660</u>
EXPENDITURES			
Current:			
Instruction	4,000	3,500	3,448
School Administration	20,000	19,500	19,500
Food Services	4,000	5,750	5,677
Operation of Plant	5,256	6,100	6,074
Total Current Expenditures	<u>33,256</u>	<u>34,850</u>	<u>34,699</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>450</u>	<u>961</u>
Capital Outlay:			
Other Capital Outlay	-	2,000	1,722
Total Expenditures	<u>33,256</u>	<u>36,850</u>	<u>36,421</u>
Excess of Revenues Over Expenditures	-	(1,550)	(761)
Other financing sources:			
Transfers in	-	1,550	761
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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 Oaks Academy
Homestead, Florida

We have audited the financial statements of the governmental activities and each major fund of Somerset Oaks Academy (the "School") as of, and for the year ended June 30, 2012, and have issued our report thereon dated August 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012

MANAGEMENT LETTER

Board of Directors of
Somerset Oaks Academy
Homestead, Florida

We have audited the financial statements of the governmental activities and each major fund of Somerset Oaks Academy as of and for the year ended June 30, 2012 and have issued our report thereon dated August 30, 2012.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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. Disclosure in those reports, which are dated August 30, 2012, 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 govern the conduct of charter school 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.

This section is not applicable as this is the initial year of operations and the School's first audit.

2. Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management.

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

3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but more than inconsequential.

In connection with our audit, we did not find any such violations.

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement accounts, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse that have occurred, or are likely to have occurred, and (2) deficiencies in internal control that are not significant deficiencies.

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

5. Section 10854(1)(e)6, Rules of the Auditor General, requires the name or official title of the school.

The official title of the school is disclosed in the accompanying financial statements.

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

In connection with our audit, no such conditions were noted.

7. Pursuant to Sections 10.854(1)(e)7.a. and 10.855(11), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the 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.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2012