

Somerset Academy High School (South Campus)
(A charter school under Somerset Academy, Inc.)
Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2009

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Somerset Academy High School (South Campus)
18491 SW 134 Avenue
Miami, Florida 33177

2008-2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Somerset Academy High School (South Campus)
Miami, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Somerset Academy High School (South Campus) (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, 2009, which collectively comprises the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic 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 Academy High School (South Campus) at June 30, 2009, 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.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Somerset Academy High School (South Campus), as of June 30, 2009, 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 28, 2009, 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.

The management's discussion and analysis and the budgetary comparison information on pages 4 through 8 and 21 through 22, respectively, are not a required part of the basic financial statements but are supplemental 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 on it.

HLB Grannis, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 28, 2009

Management's Discussion and Analysis
Somerset Academy High School (South Campus)
(A Charter school Under Somerset Academy, Inc.)
June 30, 2009

The corporate officers of Somerset Academy High School (South Campus) have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2009.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2009 by \$ 214,016 (net assets).
2. At year-end, the School had current assets on hand of \$214,138.
3. The School had an increase in its net assets of \$ 214,016 for the year ended June 30, 2009.

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, 2009 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the 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 - 20 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 \$ 214,016 at the close of the fiscal year. A summary of the School’s net assets as of June 30, 2009 follows:

	2009
Cash	\$ 208,289
Prepaid Expenses	-
Due from other charter schools	-
Due from other agencies	5,849
Capital Assets, net	-
Total Assets	<u>\$ 214,138</u>
Accounts Payable	-
Accrued Liabilities	122
Total Liabilities	<u>\$ 122</u>
Invested in Capital Assets, net of related debt	\$ -
Unrestricted	214,016
Total Net Assets	<u>\$ 214,016</u>

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

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2009 follows:

	<u>2009</u>
REVENUES	
Program Revenues	
Capital Outlay funding	\$ 8,853
Operating Grants and Contributions	212,370
General Revenues	
FTE nonspecific revenues	64,611
Other Revenues	-
Charges for services	-
Total Revenues	<u>\$ 285,834</u>
EXPENSES	
Component Unit Activities:	
Instruction	22,031
Instructional Staff Training Services	-
Board	-
School Administration	33,051
Facilities Acquisition and Construction	-
Fiscal Services	1,578
Food Services	-
Central Services	1,578
Operation of Plant	13,580
Community Services	-
Maintenance of Plant	-
Total Expenses	<u>71,818</u>
Increase in Net Assets	<u>214,016</u>
Net Assets at Beginning of Year	-
Net Assets at End of Year	<u>\$ 214,016</u>

Somerset Academy High School (South Campus)'s revenues were \$285,834 in the current period and expenses were \$71,818, as a result of a start up grant and capital outlay funding. The largest expenses were for Instruction, School Administration, and Operation of Plant. The School has an increase in its net assets of \$214,016 for the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School's governmental fund reported a fund balance of \$214,016.

Achievements

Somerset Academy High School (South Campus) opened as a "N.E.S.T.E.D" school within the Somerset Academy High School campus. In 2009, Somerset Academy became accredited by the Southern Association of Colleges and Schools (SACS).

Somerset High provides its students with a rigorous curriculum, as well as an extra-curricular program of activities, including team sports and clubs. Somerset has implemented a complete performance/sports program, which includes jazz/hip-hop, ballet, cheerleading, karate, volleyball, soccer, basketball and flag football. This past year, Somerset students participated in various community service projects and fundraisers, including Walk for Autism (with 100% participation by school clubs), Walk to Cure Diabetes (won Bronze Team Award), and the ING Marathon (with 100% participation of all sports teams).

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	\$ 8,840	\$ 8,880	\$ 8,853
Federal Grants	12,105	213,000	212,370
General Revenues			
FTE Nonspecific Revenues	57,890	64,000	64,611
Other Revenues	-	-	-
Total Revenues	<u>\$ 78,835</u>	<u>\$ 285,880</u>	<u>\$ 285,834</u>
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	\$ 20,000	\$ 22,100	\$ 22,031
School Administration	42,105	33,100	33,051
Fiscal Services	1,500	1,600	1,578
Central Services	1,500	1,600	1,578
Operation of Plant	11,630	13,680	13,580
Total Current Expenditures	<u>\$ 76,735</u>	<u>\$ 72,080</u>	<u>\$ 71,818</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, 6361 Sunset Drive, Miami, Florida 33143.

Somerset Academy High School (South Campus)
(A charter school under Somerset Academy, Inc)

Statement of Net Assets
June 30, 2009

Assets

Current assets:	
Cash	\$ 208,289
Due from other agencies	5,849
	<hr/>
	214,138
Capital assets, depreciable	-
Less: accumulated depreciation	-
	<hr/>
	-
	<hr/>
Total Assets	<u>\$ 214,138</u>

Liabilities and Net assets

Current liabilities:	
Salaries and wages payable	\$ 122
Total Liabilities	<hr/>
	122
Net assets:	
Invested in capital assets	-
Restricted by lease agreement	-
Unrestricted	214,016
Total Net Assets	<hr/>
	214,016
Total Liabilities and Net Assets	<u>\$ 214,138</u>

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

Somerset Academy High School (South Campus)
 (A charter school under Somerset Academy, Inc)

Statement of Activities
 For the year ended June 30, 2009

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	\$ 22,031	\$ -	\$ 212,370	\$ -	\$ 190,339
School administration	33,051	-	-	-	(33,051)
Fiscal services	1,578	-	-	-	(1,578)
Central services	1,578	-	-	-	(1,578)
Operation of plant	13,580	-	-	8,853	(4,727)
Total governmental activities	<u>71,818</u>	<u>-</u>	<u>212,370</u>	<u>8,853</u>	<u>149,405</u>
FTE nonspecific revenues					64,611
Interest and other revenue					-
Change in net assets					214,016
Net assets, beginning					-
Net assets, ending					<u>\$ 214,016</u>

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

Somerset Academy High School (South Campus)
(A charter school under Somerset Academy, Inc)

Balance Sheet - Governmental Funds
June 30, 2009

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 208,289	\$ -	\$ 208,289
Accounts receivable	-	-	-
Due from other agencies	-	5,849	5,849
Prepaid expenses	-	-	-
Due from other schools	-	-	-
Due from funds	5,849	-	5,849
Security deposits	-	-	-
Total Assets	<u>\$ 214,138</u>	<u>\$ 5,849</u>	<u>\$ 219,987</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 122	\$ -	\$ 122
Due to funds	-	5,849	5,849
Deposits	-	-	-
Total Liabilities	<u>122</u>	<u>5,849</u>	<u>5,971</u>
<u>Fund balance</u>			
Reserved	-	-	-
Unreserved	214,016	-	214,016
	<u>214,016</u>	<u>-</u>	<u>214,016</u>
Total Liabilities and Fund Balance	<u>\$ 214,138</u>	<u>\$ 5,849</u>	<u>\$ 219,987</u>

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

Somerset Academy High School (South Campus)
(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, 2009

Total Fund Balance - Governmental Funds \$ 214,016

Amounts reported for governmental activities in the statement of net assets are the same reported for the governmental fund balance:

Total Net Assets - Governmental Activities \$ 214,016

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

Somerset Academy High School (South Campus)
 (A charter school under Somerset Academy, Inc)

Statement of Revenues, Expenditures and Changes in Fund Balance -Governmental Funds
 For the year ended June 30, 2009

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 8,853	\$ 8,853
State passed through local	64,611	-	64,611
Federal start up grant	-	212,370	212,370
Total Revenues	<u>64,611</u>	<u>221,223</u>	<u>285,834</u>
Expenditures:			
Current			
Instruction	22,031	-	22,031
School administration	33,051	-	33,051
Fiscal services	1,578	-	1,578
Central services	1,578	-	1,578
Operation of plant	4,727	8,853	13,580
Capital Outlay:			
Other capital outlay	-	-	-
Debt Service:			
Redemption of Principal	-	-	-
Interest	-	-	-
Total Expenditures	<u>62,965</u>	<u>8,853</u>	<u>71,818</u>
Excess (deficit) of revenues over expenditures	1,646	212,370	214,016
Other financing sources			
Transfers in and (out)	<u>212,370</u>	<u>(212,370)</u>	<u>-</u>
Net change in fund balance	214,016	-	214,016
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 214,016</u>	<u>\$ -</u>	<u>\$ 214,016</u>

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

Somerset Academy High School (South Campus)
(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, 2009

Net Change in Fund Balance - Governmental Funds \$ 214,016

Amounts reported for governmental activities in the statement of activities are the same as reported in the Statement of Revenues, Expenditures and Changes in Fund Balance.

Change in Net Assets of Governmental Activities \$ 214,016

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

Appendix N

**AUDIT COMPLETION CHECKLIST
FOR CHARTER SCHOOLS AND OTHER ORGANIZATIONS
MIAMI-DADE COUNTY PUBLIC SCHOOLS**

The following information should be included in the yearly audit by the organizations submitting their annual external audit. For charter schools, the Auditor General of the State of Florida has issued rules that must be complied with (Chapter 10.850). Please share this checklist with your external auditor.

- 1. The name and address of the school.
- 2. The name of the principal running the school.
- 3. Current list of the Board of Directors of the school.
- 4. If the school is operated by a management company:
 - a. Name of the company
 - b. Address
 - c. List of principal officials
 - d. Contractual arrangement with the company, such as length of contract, terms, total fees paid for the year, etc. (This information should be included in the footnotes to the financial statements).
- 5. The financial statements must include comparative totals for the prior year.
- 6. The financial statements must comply with GASB 34 requirements, if applicable.
- 7. In the footnotes of the financial statements, the following should be disclosed:
 - a. Total school enrollment and grade configuration. If separate facilities are in operation, disclose name, address, and the enrollment and grade configuration at each facility.
 - b. Full disclosure of related party transactions, which should include the related party's name and address, and disclosure of the transaction, particularly if it is a loan that needs to be repaid (principal and interest paid and unpaid). If the debt is in arrears, disclosure of arrangements made to satisfy the debt.
 - c. Full disclosure of any other debts in arrears, particularly as they relate to the payment of withholding/social security taxes. Arrangements made to pay the debt(s).
 - d. For charter schools, full disclosure in the notes or as a separate schedule in the audit of the tangible personal property purchased with public funds. (It is a current contractual requirement for charter schools; however, we recommend that it be part of the audit).
 - e. If there is a deficit cash position or significant losses shown in the financial statements, full disclosure as to how the school plans to keep operating. The current assets should be sufficient to cover the current liabilities. The issue is whether sufficient resources would be available to maintain the school open. This issue may be addressed in the Management Letter.
 - f. Any disclosures of events subsequent to the balance sheet date that the auditor believes are important to the readers of the financial statements (e.g., significant contractual arrangements and financing or refinancing of debt, payment of past due taxes, etc.).
- 8. If the audit is not submitted within the contractually required deadline, the Management Letter must comment on it with the appropriate response from the organization as to how it is going to be remedied in future audit submittals.
- 9. If there are Management Letter findings, each finding must include a response by the organization. If there were prior audit findings, the current audit must include the status of action taken, i.e., whether the recommendation was fully implemented and, if not, when (date) it will be fully implemented. Note that quarterly reports may be required on a case-by-case basis depending on the severity or lack of resolution of the issues noted in the Management Letter.
- 10. Please enter the following information about the Certified Public Accountant issuing the audit report:

CPA's Name HLB GRAVIER, LLP
CPA's Address 201 ALHAMBRA CIRCLE, SUITE #901
License No. AD 64844 Status ACTIVE
Expiration Date 12/31/2009

In reference to this checklist, please refer any questions to the Office of Management and Compliance Audits, attention Mr. Norberto Ferradaz, CPA (305) 995-1318.

Please forward a copy of the completed checklist with your audit.

Note 1 – Organization and Operations

Somerset Academy High School (South Campus) (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, 2018 and is renewable for an additional 15 years 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 Miami, Florida for students from ninth through twelfth grades and is funded by the District.

These financial statements are from inception through June 30, 2009, when approximately 11 students were enrolled 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.

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 and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. 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) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

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 Governmental Accounting Standards Board (GASB) Statement No. 33 Accounting and Financial Reporting for Non-Exchange Transactions, as amended by GASB Statement No. 36 Recipient Reporting for Certain Shared Non-Exchange Revenues, they include grants and donations. 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. 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:

Improvements	10-15 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

For the year ended June 30, 2009, the School's facility was shared with other schools and did not have any capital assets.

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 Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. 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 had no accrual for compensated absences since all payroll costs were incurred through a usage fee paid to Somerset Academy (another charter school under Somerset Academy, Inc.)

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.

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.

Note 3 –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 for a period of five years, through July 2013, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2009, the School incurred approximately \$4,734, in management fees.

Academica Dade, LLC is located at 6361 Sunset Drive, Miami, Florida 33143 and its officers are:

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

Note 4 –Transactions with Other Charter Schools and Other Revenues

The school was charged a usage fee by Somerset Academy Charter High School (another charter school under Somerset Academy, Inc.) for use of its facilities, teachers and resources. The total usage fee paid was approximately \$45,000. In addition, another school provides lunch for the school at no charge.

Note 5 – 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, 2009, the carrying amount of the School's deposits was \$208,289 and the respective bank balances totaled \$230,823, which was subject to coverage under the Federal Depository Insurance Corporation (FDIC).

Note 6 – Commitments and Contingencies

The School received substantially all of its revenues from Federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies.

Note 7 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy High School (South Campus)
(A charter school under Somerset Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2009

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Local Sources	\$ 57,890	\$ 64,000	\$ 64,611
Charges for services	-	-	-
Interest and other revenues	-	-	-
Total Revenues	<u>57,890</u>	<u>64,000</u>	<u>64,611</u>
EXPENDITURES			
Current:			
Instruction	20,000	22,100	22,031
School Administration	30,000	33,100	33,051
Fiscal Services	1,500	1,600	1,578
Central Services	1,500	1,600	1,578
Operation of Plant	2,790	4,800	4,727
Total Current Expenditures	<u>55,790</u>	<u>63,200</u>	<u>62,965</u>
Excess of Revenues Over Current Expenditures	<u>2,100</u>	<u>800</u>	<u>1,646</u>
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay:			
Other Capital Outlay	-	-	-
Total Capital Outlay and Debt Service Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>55,790</u>	<u>63,200</u>	<u>62,965</u>
Excess of Revenues Over Expenditures	2,100	800	1,646
Other financing sources:			
Transfers in	-	213,000	212,370
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ 2,100</u>	<u>\$ 213,800</u>	<u>\$ 214,016</u>

Somerset Academy High School (South Campus)
(A charter school under Somerset Academy, Inc)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2009

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 8,840	\$ 8,880	\$ 8,853
Federal start up grant	12,105	213,000	212,370
Total Revenues	<u>20,945</u>	<u>221,880</u>	<u>221,223</u>
EXPENDITURES			
Current:			
Instruction	-	-	-
Pupil Personnel Services	-	-	-
Board	-	-	-
General Administration	-	-	-
School Administration	12,105	-	-
Facilities Acquisition & Construction	-	-	-
Fiscal Services	-	-	-
Food Services	-	-	-
Central Services	-	-	-
Operation of Plant	8,840	8,880	8,853
Maintenance of Plant	-	-	-
Total Current Expenditures	<u>20,945</u>	<u>8,880</u>	<u>8,853</u>
Excess of Revenues Over Current Expenditures	<u>-</u>	<u>213,000</u>	<u>212,370</u>
Capital Outlay:			
Other Capital Outlay	-	-	-
Total Expenditures	<u>20,945</u>	<u>8,880</u>	<u>8,853</u>
Excess of Revenues Over Expenditures	-	213,000	212,370
Other financing sources:			
Transfers out	-	(213,000)	(212,370)
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Directors of
Somerset Academy High School (South Campus)
Miami, Florida

We have audited the financial statements of Somerset Academy High School (South Campus) (the "School") as of, and for the year ended June 30, 2009, and have issued our report thereon dated August 28, 2009. We conducted our audits 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 audits, 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 control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control.

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

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 28, 2009

MANAGEMENT LETTER

Board of Directors of Somerset Academy High School (South Campus)
Miami, Florida

We have audited the accompanying basic financial statements of Somerset Academy High School (South Campus) as of and for the year ended June 30, 2009 and have issued our report thereon dated August 28, 2009.

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 28, 2009, 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.

Not applicable since this is the first year of operations.

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 have 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 laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

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)(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 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.

HLB Grawie, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 28, 2009