

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

Financial Statements And
Independent Auditors' Report

June 30, 2011

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Somerset Academy Elementary School (South Miami Campus)
5876 Southwest 68th Street
Miami, Florida 33143

2010-2011

BOARD OF DIRECTORS

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Elementary School (South Miami Campus) (the "School"), a charter school under Somerset Academy, Inc., a component unit of the District School Board of Dade County, as of, and for the year ended June 30, 2011, 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 Academy Elementary School (South Miami Campus) at June 30, 2011, and the respective changes in financial position for the year then ended. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2011 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 Academy Elementary School (South Miami Campus), as of June 30, 2011, 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 31, 2011, 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 26 through 27 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 Gravin, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2011

Management's Discussion and Analysis
Somerset Academy Elementary School (South Miami Campus)
(A Charter school Under Somerset Academy, Inc.)
June 30, 2011

The corporate officers of Somerset Academy have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2011.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2011 by \$1,136,490 (net assets).
2. At year-end, the School had current assets on hand of \$613,325.
3. The School had an increase in its net assets of \$751,253 for the year ended June 30, 2011.
4. The unassigned fund balance at year end was \$402,182

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2011 are presented under 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.

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 page 11 - 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 - 25 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 \$1,136,490 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2011 follows:

	2011	2010
Cash	\$ 348,352	\$ 344,309
Due from other agencies	184,023	585
Prepaid expenses	80,950	4,937
Long-term receivable from other school	115,827	-
Capital assets, net	1,472,862	1,297,338
Total Assets	\$ 2,202,014	\$ 1,647,169
Accounts payable and salaries payable	\$ 130,193	\$ 134,200
Long-term debt due to other	438,348	428,348
Charter Schools		
Due to other schools	496,983	699,383
Total Liabilities	\$ 1,065,524	\$ 1,261,931
Invested in Capital Assets, net of related debt	653,358	169,607
Unrestricted	483,132	215,631
Total Net Assets	\$ 1,136,490	\$ 385,238

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 years ended June 30, 2011 and 2010 follows:

	<u>2011</u>	<u>2010</u>
REVENUES		
Program Revenues		
Federal Sources	\$ 225,217	\$ -
Operating Grants and Contributions	165,044	264,330
Lunch program		
Charges for services	1,152,755	872,392
General Revenues		
FTE nonspecific revenues	2,795,783	1,919,455
Other Revenues	861	23,225
Total Revenues	<u>\$ 4,339,660</u>	<u>\$ 3,079,402</u>
 EXPENSES		
Component Unit Activities:		
Instruction	\$ 1,998,694	\$ 1,381,779
Instruction Staff Training	4,619	4,103
Instructional Media Services	-	-
Board	16,589	6,390
School Administration	456,013	351,503
Facilities Acquisition and Construction	36,060	6,877
Fiscal Services	63,825	45,350
Food Services	99,841	82,942
Central Services	73,156	57,559
Operation of Plant	569,489	526,510
Community Services	245,910	212,143
Maintenance of Plant	24,212	19,008
Total Expenses	<u>3,588,408</u>	<u>2,694,164</u>
Increase in Net Assets	751,253	385,238
Net Assets at Beginning of Year	<u>385,237</u>	<u>-</u>
Net Assets at End of Year	<u>\$1,136,490</u>	<u>\$ 385,238</u>

Student enrollment increased for 2011 by approximately 125 students. As a result, the School's revenues and expenses increased by \$1,260,258 and \$894,244, respectively, in the current year. The School had an increase in its net assets of \$751,252 for the year.

School Location and Lease of Facility

The School leases a facility located at 5876 Southwest 68th Street.

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 426 students enrolled in kindergarten through fifth grade.

Accomplishments

In 2011, Somerset Academy South Miami ("SoMi") completed its second year of operations. The school earned a letter grade of "A," and ranked as the **3rd highest performing public elementary school** in all of Miami-Dade County, based on the points it received under the State of Florida Accountability Program. Most impressively, Somerset SoMi had the 2nd highest score among all public elementary schools in Miami-Dade County for student gains in Math, the 6th highest score for gains in Reading, and the 7th highest score for meeting standards in Science and Math. The school received a "School Recognition Award" from the Florida Department of Education and met Adequate Yearly Progress under the No Child Left Behind Act.

Somerset SoMi offers a rigorous curriculum, featuring bilingual programs in both Spanish and Mandarin and the latest classroom technology, including Promethean Boards and laptop computers for all students in upper grades. Recently, the school enhanced the educational environment at their facilities by adding a state-of-the-art media center and a "Mac" computer lab. In addition, Somerset SoMi provides its students with an extra-curricular program of activities, including team sports and clubs, such as volleyball, baseball, soccer, basketball, karate, and flag football.

This past year, Somerset SoMi students participated in various community service projects and fundraisers, including the iPad for Soldiers Drive, the Scholastic Book Fair Event- "Reading Under the Stars", the South Miami Community Center Thanksgiving Drive, the "Say No to Drugs" door contest, and the Miami Children's Hospital Volunteer Program. Students also participated in district-wide events such as the Somerset District Annual Spelling Bee, the Science Fair, and Career Day, as well as school-based productions, including Hispanic Heritage Week, the Chinese New Year Celebration, "Holidays Around the World" holiday show, the Vocabulary Parade, Reader's Theater, and the first "SoMi Art Gallery Night." In addition, SoMi students got to visit places such as Vizcaya, Flamingo Gardens, Museum of Science, Fairchild Tropical Gardens, Actor's Playhouse, Jungle Island, Metro Zoo, Miami-Dade Environmental Center, and St. Augustine, FL (part of the enhancement program for 4th grade Social Studies).

Somerset SoMi is a member of the National Elementary Honor Society and is one of only a few public elementary schools in Miami-Dade County that is fully 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.

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 \$483,132. The fund balance unassigned and available for spending at the School's discretion is \$402,182. 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, 2011 amounts to \$1,472,862 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2011, the School had approximately \$935,000 in long term debt related 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 total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School's budget.

	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Federal School Lunch Program	\$ 20,000	\$ 22,000	\$ 22,881
Capital Outlay Funding	200,000	225,250	225,217
Federal Sources	60,000	62,200	137,163
General Revenues			
FTE Nonspecific Revenues	2,560,626	2,722,000	2,720,783
Charges for Services	1,179,732	1,025,000	1,152,755
Other Revenues	-	80,000	80,861
Total Revenues	<u>4,020,358</u>	<u>4,136,450</u>	<u>4,339,660</u>
EXPENDITURES			
Component Unit Activities:			
Instruction	1,860,000	1,942,200	1,930,496
Instructional staff training	5,000	5,000	4,619
Board	15,000	20,000	16,589
School Administration	400,000	465,000	455,930
Fiscal Services	65,000	65,000	63,825
Food Services	90,000	100,000	94,387
Central Services	75,000	80,000	73,156
Operation of Plant	500,000	540,250	530,299
Community Services	250,000	250,000	245,910
Maintenance of Plant	25,000	27,500	24,212
Total Current Expenditures (before capital outlay and debt service)	<u>\$ 3,285,000</u>	<u>\$ 3,494,950</u>	<u>\$ 3,439,423</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 Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Net Assets
June 30, 2011

Assets

Current assets:

Cash	\$ 348,352
Prepaid expenses	80,950
Due from other agencies	184,023
	<u>613,325</u>

Capital assets, depreciable	1,701,171
Less: accumulated depreciation	(228,309)
	<u>1,472,862</u>

Long-term receivable from other charter school	<u>115,827</u>
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Total Assets	<u>\$ 2,202,014</u>
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Liabilities and Net Assets

Current liabilities:

Salaries and wages payable	\$ 130,193
	<u>130,193</u>

Long-term debt due to other charter school	438,348
Other long-term debt	496,983
Total liabilities	<u>1,065,524</u>

Net assets:

Invested in capital assets, net and long term receivables	653,358
Unrestricted	483,132
Total Net Assets	<u>1,136,490</u>

Total Liabilities and Net Assets	<u>\$ 2,202,014</u>
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The accompanying notes are an integral part of this financial statement.

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

Statement of Activities
For the year ended June 30, 2011

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	\$ 1,998,694	\$ 697,891	\$ 217,163	\$ -	\$ (1,083,640)
Instructional media services	-	-	-	-	-
Instructional staff training	4,619	-	-	-	(4,619)
Board	16,589	-	-	-	(16,589)
School administration	456,013	-	-	-	(456,013)
Facilities acquisition	36,060	-	-	-	(36,060)
Fiscal services	63,825	-	-	-	(63,825)
Food services	99,841	78,596	22,881	-	1,636
Central services	73,156	-	-	-	(73,156)
Operation of plant	569,489	35,393	-	225,217	(308,879)
Maintenance of plant	24,212	4,126	-	-	(20,086)
Community services	245,910	336,749	-	-	90,839
Total governmental activities	3,588,408	1,152,755	240,044	225,217	(1,970,392)
General revenues:					
FTE nonspecific revenues					2,720,783
Interest, fundraising and other revenue					861
Change in net assets					751,252
Net assets, beginning					385,238
Net assets, ending					<u>\$ 1,136,490</u>

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

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

Balance Sheet - Governmental Funds
 June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 348,352	\$ -	\$ 348,352
Prepaid expenses	80,950	-	80,950
Due from other agencies	-	184,023	184,023
Due from funds	184,023	-	184,023
Total Assets	<u>\$ 613,325</u>	<u>\$ 184,023</u>	<u>\$ 797,348</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 130,193	\$ -	\$ 130,193
Due to funds	-	184,023	184,023
Total Liabilities	<u>130,193</u>	<u>184,023</u>	<u>314,216</u>
<u>Fund balance</u>			
Unspendable	80,950		80,950
Unassigned	402,182	-	402,182
	<u>483,132</u>	<u>-</u>	<u>483,132</u>
Total Liabilities and Fund Balance	<u>\$ 613,325</u>	<u>\$ 184,023</u>	<u>\$ 797,348</u>

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

Somerset Academy Elementary School (South Miami 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, 2011

Total Fund Balance - Governmental Funds \$ 483,132

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

Capital assets of \$1,701,171 net of accumulated depreciation of \$228,309 used in governmental activities are not financial resources and therefore are not reported in the fund. 1,472,862

The disbursement from issuance of long-term receivables is a current financial expenditure to governmental funds, but such increases long-term assets in the statement of net assets. 115,827

The proceeds from/repayment of debt issuance provides current financial resources/expenditures to government funds, but issuing/repaying debt increases/decreases long-term liabilities in the statement of net assets. (935,331)

Total Net Assets - Governmental Activities \$ 1,136,490

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
 For the year ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 225,217	\$ 225,217
State passed through local	2,720,783	-	2,720,783
Federal sources	-	137,163	137,163
Federal school lunch	-	22,881	22,881
Interest and other revenue	861	-	861
Other local sources	80,000	-	80,000
Charges for services and usage fees	1,074,159	78,596	1,152,755
Total Revenues	3,875,803	463,857	4,339,660
Expenditures:			
Current			
Instruction	1,885,165	45,304	1,930,469
Instructional staff training services	4,619	-	4,619
Board	16,589	-	16,589
School administration	455,930	-	455,930
Fiscal services	63,825	-	63,825
Food services	-	94,387	94,387
Central services	73,156	-	73,156
Operation of plant	305,082	225,217	530,299
Maintenance of plant	24,212	-	24,212
Community services	245,910	-	245,910
Capital Outlay:			
Other capital outlay	232,677	91,859	324,536
Debt Service:			
Repayment of Principal	202,400	-	202,400
Interest	-	-	-
Total Expenditures	3,509,565	456,767	3,966,332
Excess (deficit) of revenues over expenditures	366,238	7,090	373,328
Other financing sources			
Transfers in and (out)	(98,737)	(7,090)	(105,827)
Net change in fund balance	267,501	-	267,501
Fund Balance at beginning of year	215,631	-	215,631
Fund Balance at end of year	<u>\$ 483,132</u>	<u>\$ -</u>	<u>\$ 483,132</u>

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

Somerset Academy Elementary School (South Miami 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, 2011

Net Change in Fund Balance - Governmental Funds \$ 267,501

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 \$324,536 differed from depreciation expense of \$149,012. 175,524

The disbursement from issuance of long-term receivables is a current financial expenditure to governmental funds, but such increases long-term assets in the statement of net assets. 115,827

The proceeds from/repayment of debt issuance provides current financial resources/expenditures to government funds, but issuing/repaying debt increases/decreases long-term liabilities in the statement of net assets. 192,400

Change in Net Assets of Governmental Activities \$ 751,252

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

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

Statement of Net Assets - Fiduciary Funds
June 30, 2011

	Agency Funds
<u>Assets</u>	
Cash	<u>\$ 85,687</u>
Total Assets	<u><u>\$ 85,687</u></u>
<u>Liabilities</u>	
Due to students and clubs	<u>\$ 85,687</u>
Total Liabilities	85,687
<u>Net assets</u>	<u><u>\$ -</u></u>

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

Note 1 – Organization and Operations

Somerset Academy Elementary School (South Miami 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 various other charter schools. The School operates under a charter granted by the sponsoring district, the District School Board of Dade County (the "District"). The current charter expires on June 30, 2018 and is renewable for an additional 15 years by 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 kindergarten through fifth grades and is funded by the District.

These financial statements are from inception through June 30, 2011, when approximately 426 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. 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 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 federal grants and capital outlay funding that are legally restricted to expenditures for particular purposes.

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

Measurement Focus and Basis of Accounting

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

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

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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	10-20 Years
Textbooks	3 Years
Furniture, Equipment and Software	5 Years

Note 2 – Summary of Significant Accounting Policies (continued)

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.

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

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.

Note 2 – Summary of Significant Accounting Policies (continued)

Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years.

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

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.

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 31, 2011, which is the date the financial statements were available to be issued.

Net assets and Fund balance classifications

Government-wide financial statements

Equity is classified as net assets and displayed in three (3) components:

- a) Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. Restricted net assets of the School relate to reserves required by the landlord for property maintenance and repairs.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Note 2 – Summary of Significant Accounting Policies (continued)

Fund financial statements

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

- a) Nonspendable - 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. Restricted fund balance of the School relate to reserves required by the landlord for property maintenance and repairs.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against 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.

Somerset Academy Elementary School (South Miami Campus)
 (A charter school under Somerset Academy, Inc.)
 Notes to Financial Statements
 June 30, 2011

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, 2011:

	Balance 07/1/10	Additions	Retirements	Balance 06/30/11
Capital Assets				
Improvements	\$ 955,189	\$ 48,212	\$ -	\$1,003,401
Software	-	-	-	-
Furniture, equipment and textbooks	421,448	276,322	-	697,770
Total Capital Assets	<u>1,376,637</u>	<u>324,534</u>	-	<u>1,701,171</u>
Less Accumulated Depreciation	<u>(79,299)</u>	<u>(149,010)</u>	-	<u>(228,309)</u>
Capital Assets, net	<u>\$1,297,338</u>	<u>\$175,524</u>	<u>\$ -</u>	<u>\$1,472,862</u>

For the fiscal year ended June 30, 2011, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 68,223
School administration	83
Facilities acquisition	36,060
Food services	5,454
Operation of plant	39,190
Total Depreciation Expense	<u>\$ 149,010</u>

Note 4 – 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, 2011, the carrying amount of the School's deposits was \$348,352 and the respective bank balances totaled \$814,603.

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, 2011.

Note 5 – 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 four years, through June 30, 2013, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2011, the School incurred approximately \$191,475, in management fees. Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

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

Note 6 – Related Party Transactions

The School shares a facility with Somerset Academy Charter Middle School - South Miami Campus and Integrated Science and Asian Culture Academy, Inc. The facilities lease is shared with Somerset Academy Charter Middle School – South Miami Campus which is another charter school under Somerset Academy, Inc. (See note 7).

The School has entered into a facility usage agreement with Integrated Science and Asian Culture Academy, Inc. The School receives a flat monthly fee based on a monthly student cost allocation ratio. The agreement is through June 30, 2011 and renewable annually thereafter. As of June 30, 2011, usage fees revenue under this agreement were approximately \$121,000, including approximately \$35,000 in rent expense.

During the year the School received \$26,919 in Federal school lunch funds from Somerset Academy Silver Palms (charter schools under Somerset Academy, Inc.) for the school's lunch program. Somerset South Miami Middle School used the School's lunch program during the year and was allocated \$18,119 in revenues and \$17,619 in costs. In addition, the School operates an after school program. Revenues from these programs are recorded as charges for services, under the community services function. Total revenues from the aftercare program for 2011 were \$321,749.

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, 2011, administrative fees withheld by the School District totaled \$81,047.

Note 7 – Commitments and Contingencies

The School entered into a lease and security agreement with Somi Group, LLC, Inc. for its 27,269 square feet facility. The facility will be shared with Somerset South Miami Middle and Integrated Science and Asian Culture Academy. Presently, members of the landlord are also stockholders of the entity which is the sole owner of Academica Dade, LLC, the School's management company (See Note 5). Fixed annual payments under this agreement (based on \$19.50 per square foot) are approximately \$267,700, net of enrollment discounts, adjusted annually based on Consumer Price Index (CPI). The agreement continues through July 31, 2014 with the option to renew for an additional five years. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00.

Under the agreement, the School will reimburse the landlord for tenant improvements. As of June 30, 2011, the School capitalized \$934,633 of tenant improvements of which approximately \$496,983 were payable at year end over the remaining term of the initial lease.

For 2011, rent expense net of enrollment discounts totaled \$278,474, out which of approximately \$270,580 related to facility lease. The school had prepaid rent of approximately \$39,790 at June 30, 2011. Future minimum payments for the full lease, net of enrollment discounts (excluding common area maintenance costs) are as follows:

<u>Year</u>	
2012	\$359,239
2013	\$400,396
2014	\$508,075
2015	\$ 43,129

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

Note 9 – Defined Contribution Retirement Plan

The School's personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$7,767 for the year ended June 30, 2011. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - General fund
For the year ended June 30, 2011

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,560,626	\$ 2,722,000	\$ 2,720,783
Charges for services	1,109,732	947,000	1,074,159
Other local sources	-	80,000	80,000
Interest and other revenues	-	-	861
Total Revenues	3,670,358	3,749,000	3,875,803
EXPENDITURES			
Current:			
Instruction	1,800,000	1,880,000	1,885,165
Instructional Staff			
Training Services	5,000	5,000	4,619
Board	15,000	20,000	16,589
School administration	400,000	465,000	455,930
Fiscal services	65,000	65,000	63,825
Central services	75,000	80,000	73,156
Operation of plant	300,000	315,000	305,082
Maintenance of plant	25,000	27,500	24,212
Community services	250,000	250,000	245,910
Total current expenditures	2,935,000	3,107,500	3,074,488
Excess of revenues			
Over current expenditures	735,358	641,500	801,315
Debt service:			
Redemption of principal	200,000	200,000	202,400
Capital outlay:			
Other capital outlay	300,000	325,000	232,677
Total expenditures	3,435,000	3,632,500	3,509,565
Excess of revenues over expenditures	235,358	116,500	366,238
Other financing sources			
Transfers in	(100,000)	(105,000)	(98,737)
Net change in fund balance	135,358	11,500	267,501
Fund balance at beginning of year	215,631	215,631	215,631
Fund balance at end of year	\$ 350,989	\$ 227,131	\$ 483,132

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Special Revenue Fund
For the year ended June 30, 2011

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 200,000	\$ 225,250	\$ 225,217
Federal sources	60,000	62,000	137,163
Federal school lunch program	20,000	22,000	22,881
Charges for services and usage fees	70,000	78,000	78,596
Total Revenues	350,000	387,250	463,857
EXPENDITURES			
Current:			
Instruction	60,000	62,200	45,304
Food services	90,000	100,000	94,387
Operation of plant	200,000	225,250	225,217
Total current expenditures	350,000	387,450	364,908
Excess of revenues			
Over current expenditures	-	(200)	98,949
Capital outlay:			
Other capital outlay			91,859
Total capital outlay and			
Debt service expenditures	-	-	91,859
Total expenditures	350,000	387,450	456,767
Excess of revenues over expenditures	-	(200)	7,090
Other financing sources			
Transfers out	-		(7,090)
Net change in fund balance	-	(200)	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ (200)	\$ -

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 Elementary School (South Miami Campus)
Miami, Florida

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy Elementary School (South Miami Campus) (the "School") as of, and for the year ended June 30, 2011, and have issued our report thereon dated August 31, 2011. 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.

ALB Shavien, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 31, 2011

MANAGEMENT LETTER

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

We have audited the accompanying basic financial statements of Somerset Academy Elementary School (South Miami Campus) as of and for the year ended June 30, 2011 and have issued our report thereon dated August 31, 2011.

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 31, 2011, 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.

There were no finding or recommendation in the preceding audit report.

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 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 31, 2011