

**SUMMERVILLE ADVANTAGE
ACADEMY**

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2011

King & Walker, CPAs, PL

Certified Public Accountants

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SUMMERVILLE ADVANTAGE ACADEMY

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KING & WALKER, CPAs, PL
Certified Public Accountants

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

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

We have audited the accompanying basic financial statements of the governmental activities and each major fund and aggregate remaining funds of Summerville Advantage Academy ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2011, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the School as of June 30, 2011, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 25, 2011, on our consideration of the Summerville Advantage Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other matters included under the heading ***Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Respectfully submitted,

King & Walker, CPAs

August 25, 2011
Lutz, Florida

SUMMERVILLE ADVANTAGE ACADEMY MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Summerville Advantage Academy ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2011.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 8 through 23.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the School's revenues exceeded expenses as shown on the School's statement of activities by \$179,734.
- As shown on the statement of net assets, the School reported an unrestricted Net Asset balance of \$452,852.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

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

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

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

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

Notes to Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of the fiscal years ended June 30, 2010, and June 30, 2011:

	Net Assets, End of Year		
	Governmental Activities		
	<u>6-30-10</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 516,530	\$ 758,739	\$ 242,209
Capital Assets, net	161,302	142,552	(18,750)
Total Assets	<u>\$ 677,832</u>	<u>\$ 901,291</u>	<u>\$ 223,459</u>
LIABILITIES			
Current Liabilities	\$ 173,033	\$ 258,481	\$ 85,448
Notes Payable	89,129	47,406	(41,723)
Total Liabilities	<u>262,162</u>	<u>305,887</u>	<u>43,725</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	72,173	142,552	70,379
Unrestricted	343,497	452,852	109,355
Total Net Assets	<u>415,670</u>	<u>595,404</u>	<u>179,734</u>
Total Liabilities and Net Assets	<u>\$ 677,832</u>	<u>\$ 901,291</u>	<u>\$ 223,459</u>

The largest portions of the School's assets are cash (54%) and capital assets, net (16%). Liabilities primarily consist of wages and benefits payable at year end. The School reported an unrestricted net asset balance of \$452,852.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2010, and June 30, 2011 are as follows:

Operating Results for the Year

	Governmental Activities		
	6-30-10	6-30-11	Increase (Decrease)
Revenues:			
Federal sources	\$ 252,760	\$ 301,908	\$ 49,148
State and Local sources	3,668,080	3,856,334	188,254
Grants, Contributions and Other	132,476	124,889	(7,587)
Total Revenues	4,053,316	4,283,131	229,815
Expenses:			
Instruction	1,596,632	1,834,821	238,189
Instructional Media	27,460	23,685	(3,775)
Instruction & Curriculum Development	-	5,000	5,000
Instructional Staff Training	17,309	10,825	(6,484)
Board of Education	540,434	445,770	(94,664)
School Administration	242,422	290,141	47,719
Facilities Acq. & Construction	620,954	697,503	76,549
Fiscal Services	840	2,156	1,316
Food Services	275,492	270,564	(4,928)
Pupil Transportation	136,800	132,270	(4,530)
Operation of Plant	268,910	288,830	19,920
Maintenance of Plant	27,851	16,200	(11,651)
Community Service	57,670	58,331	661
Interest on Debt	7,839	4,012	(3,827)
Unallocated Depreciation	19,199	23,289	4,090
Total Expenses	3,839,812	4,103,397	263,585
Increase/(Decrease) in Net Assets	\$ 213,504	\$ 179,734	\$ (33,770)

The largest revenue source for the School is the State of Florida (84 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentration of expenses were for Instruction (45 percent) and facility leasing costs (17 percent) during the year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$500,258.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2011, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual total expenditures were equal to the total final budgeted expenditures.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2011, amounts to \$142,552 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment and leasehold improvements. Additional information regarding the School's capital assets can be found in note 3 to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Summerville Advantage Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Charter School Associates, Inc., 4300 N. University Drive, Suite C-201, Sunrise, FL 33351

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

STATEMENT OF NET ASSETS

June 30, 2011

	<u>Government Activities</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 490,383
Accounts Receivable	199,724
Prepaid Expenses and Deposits	<u>68,632</u>
Total Current Assets	<u>758,739</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	46,460
Leasehold Improvements, Net	<u>96,092</u>
Total Capital Assets, Net	<u>142,552</u>
TOTAL ASSETS	<u>\$ 901,291</u>
LIABILITIES	
Accounts Payable	\$ 78,281
Wages and Benefits Payable	180,200
Long Term Liabilities:	
Note Payable, due within one year	31,082
Note Payable, due after one year	<u>16,324</u>
TOTAL LIABILITIES	<u>305,887</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	142,552
Unrestricted	<u>452,852</u>
Total Net Assets	<u>595,404</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 901,291</u>

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

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

**STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2011**

	Expenses		Program Revenues		Net (Expenses) Revenue and Changes and Net Assets Governmental Activities	Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Governmental Activities:						
Instruction	\$ 1,834,821	\$ -	\$ 116,284	\$ -	\$ (1,718,537)	\$ (1,718,537)
Instructional Media	23,685				(23,685)	(23,685)
Instruction & Curriculum Development	5,000				(5,000)	(5,000)
Instructional Staff Training	10,825				(10,825)	(10,825)
Board of Education	445,770				(445,770)	(445,770)
School Administration	290,141				(290,141)	(290,141)
Facilities Acquisition & Construction	697,503			226,127	(471,376)	(471,376)
Fiscal Services	2,156				(2,156)	(2,156)
Food Services	270,564	40,025	185,624		(44,915)	(44,915)
Pupil Transportation	132,270				(132,270)	(132,270)
Operation of Plant	288,830				(288,830)	(288,830)
Maintenance of Plant	16,200				(16,200)	(16,200)
Community Service	58,331	56,137	9,373		7,179	7,179
Debt Service - Interest	4,012				(4,012)	(4,012)
Unallocated Depreciation	23,289				(23,289)	(23,289)
Total Governmental Activities	\$ 4,103,397	\$ 96,162	\$ 311,281	\$ 226,127	(3,469,827)	(3,469,827)
General Revenues:						
State and Local Sources					3,580,809	3,580,809
Contributions and Other					68,752	68,752
					<u>3,649,561</u>	<u>3,649,561</u>
Change in Net Assets					179,734	179,734
Net Assets - July 1, 2010					415,670	415,670
Net Assets - June 30, 2011					<u>\$ 595,404</u>	<u>\$ 595,404</u>

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

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

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash & Cash Equivalents	\$ 490,383	\$ -	\$ 490,383
Accounts Receivable	55,479	144,245	199,724
Due From Other Funds	143,165		143,165
Prepaid Expenses and Deposits	68,632		68,632
Total Assets	<u>\$ 757,659</u>	<u>\$ 144,245</u>	<u>\$ 901,904</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts Payable	\$ 78,141	\$ 140	\$ 78,281
Wages & Benefits Payable	179,260	940	180,200
Due To Other Funds		143,165	143,165
Total Liabilities	<u>257,401</u>	<u>144,245</u>	<u>401,646</u>
Fund Balances:			
Nonspendable	68,632		68,632
Spendable - Unassigned	431,626		431,626
Total Fund Balances	<u>500,258</u>	<u>-</u>	<u>500,258</u>
Total Liabilities and Fund Balance	<u>\$ 757,659</u>	<u>\$ 144,245</u>	<u>\$ 901,904</u>

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS**

June 30, 2011

Total Fund Balances - Governmental Funds	\$ 500,258
Amounts reported for governmental activities in the statement of net assets are different because:	
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of a notes payable.	(47,406)
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>142,552</u>
Total Net Assets - Governmental Activities	<u><u>\$ 595,404</u></u>

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

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

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2011

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues			
Intergovernmental:			
Federal Through Local	\$ -	\$ 301,908	\$ 301,908
State and Local	3,816,309	40,025	3,856,334
Contributions and Other	124,889		124,889
Total Revenues	3,941,198	341,933	4,283,131
Expenditures			
Current - Education:			
Instruction	1,718,537	116,284	1,834,821
Instructional Media	23,685		23,685
Instruction & Curriculum Development	5,000		5,000
Instructional Staff Training	10,825		10,825
Board of Education	445,770		445,770
School Administration	290,141		290,141
Facilities Acquisition & Construction	697,503		697,503
Fiscal Services	2,156		2,156
Food Services	-	270,564	270,564
Pupil Transportation	132,270		132,270
Operation of Plant	288,830		288,830
Maintenance of Plant	16,200		16,200
Community Service	58,331		58,331
Fixed Capital Outlay:			
Other Capital Outlay	4,539		4,539
Debt Service:			
Principal	41,723		41,723
Interest & Fiscal Charges	4,012		4,012
Total Expenditures	3,739,522	386,848	4,126,370
Excess (Deficiency) of Revenues Over Expenditures	201,676	(44,915)	156,761
Other Financing Sources (Uses):			
Transfers In		44,915	
Transfers Out	(44,915)		
Total Other Financing Sources (Uses)	(44,915)	44,915	-
Net Change in Fund Balances	156,761	-	156,761
Fund Balances, July 1, 2010	343,497	-	343,497
Fund Balances, June 30, 2011	\$ 500,258	\$ -	\$ 343,497

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

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

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
*For the Fiscal Year Ended June 30, 2011***

Net Change in Fund Balances - Governmental Funds \$ 156,761

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

Capital outlays are reported in governmental funds 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 of depreciation expense (\$23,289) in excess of capital outlays (\$4,539) in the current period.

(18,750)

Repayment of debt principal is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets.

41,723

Change in Net Assets - Governmental Activities

\$ 179,734

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Advantage Academy of Miami, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes in August 2005. Advantage Academy of Miami, Inc. entered into an agreement with the District School Board of Miami-Dade County, Florida to operate a charter school beginning for 2007-08 school year under the registered name Summerville Advantage Academy. The reporting entity consists of the Summerville Advantage Academy (School). The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida, ("District"). The current charter had been made effective for the 2007-08 school year and is effective until June 30, 2012, and is subject to annual review and may be renewed by mutual agreement between the School and the District for up to an additional 15 years. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

➤ **Basis of Presentation**

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

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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

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

The School's major governmental funds are as follows:

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

➤ Basis of Accounting

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal

SUMMERVILLE ADVANTAGE ACADEMY

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Budgets and Budgetary Accounting**

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

➤ **Deposits**

Cash deposits consist of demand deposits with one financial institution. Deposits on hand at this financial institution are insured by the Federal Deposit Insurance Company up to \$250,000.

The School's deposits must be placed with banks and savings and loans which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial risk.

➤ **Capital Assets**

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

SUMMERVILLE ADVANTAGE ACADEMY

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 5 years
Leasehold Improvements	15 - 20 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ Fund Balance

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. The School has prepaid expenses and deposits of \$68,632 classified as non-spendable. Spendable resources are to be shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in the School's circumstances. The School has reported its remaining fund balance of \$431,626 as Spendable-Unassigned on its Balance Sheet – Governmental Funds.

➤ Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

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

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2011, the School reported 554 unweighted FTE and 584.69 weighted FTE.

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

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

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

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

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

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

➤ **Use of Estimates**

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

SUMMERVILLE ADVANTAGE ACADEMY

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2011, the School's Special Revenue Fund owed the General Fund \$143,165 for expenditures paid by the General Fund awaiting reimbursement. The General Fund transferred \$44,915 to the Special Revenue Fund to provide financial support for the School's food service program. The amounts of interfund receivables, payables, and transfers are netted together and not reported in the statement of net assets and the statement of activities.

3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 87,901	\$ 4,539	\$ -	\$ 92,440
Leasehold Improvements	120,097	-	-	120,097
Total Capital Assets Being Depreciated	<u>207,998</u>	<u>4,539</u>	<u>-</u>	<u>212,537</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(28,692)	(17,288)	-	(45,980)
Leasehold Improvements	(18,004)	(6,001)	-	(24,005)
Total Accumulated Depreciation	<u>(46,696)</u>	<u>(23,289)</u>	<u>-</u>	<u>(69,985)</u>
Governmental Activities Capital Assets, net	<u>\$161,302</u>	<u>\$ (18,750)</u>	<u>\$ -</u>	<u>\$ 142,552</u>

Unallocated depreciation expense for the 2010-11 fiscal year was \$23,289.

4. NOTE PAYABLES

The note payable consisted of the following:

	<u>Balance at 6-30-11</u>
<u>Bank of America - Note Payable</u>	
\$105,403.25, Borrowed 02-05-08, to purchase instructional materials and supplies. Interest rate of 7.26 percent. Payments are to be made in 60 equal installments starting 03-05-08.	\$ 39,418
<u>Charter School Associates - Note Payable</u>	
\$50,000, Borrowed 06-30-09, for operating expenses. Interest rate of 4.50 percent. Payments are to be made in 18 equal installments starting 08-01-09.	7,988
Total Notes Payable	<u>\$ 47,406</u>

SUMMERVILLE ADVANTAGE ACADEMY

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

Future payment amounts for notes payable are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2012	\$ 33,188	\$ 31,082	\$ 2,106
2013	16,766	16,324	442
Total	<u>\$ 49,954</u>	<u>\$ 47,406</u>	<u>\$ 2,548</u>

5. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
<u>GOVERNMENTAL ACTIVITIES:</u>					
Notes Payable	\$ 89,129	\$ -	\$ (41,723)	\$ 47,406	\$ 31,082
Total Governmental Activities	<u>\$ 89,129</u>	<u>\$ -</u>	<u>\$ (41,723)</u>	<u>\$ 47,406</u>	<u>\$ 31,082</u>

6. FACILITY LEASE

The School entered into a 10 year noncancelable operating lease for its educational facility beginning September 1, 2008, through July 31, 2018. This lease can be renewed for an additional 10 year period subject to mutual agreement of both parties. Rental expenditures under this lease agreement for the 2010-11 fiscal year were \$658,875.

The following is a schedule by years of future minimum rental payments required under operating leases that have remaining noncancelable lease terms in excess of one year:

Fiscal Year Ending June 30:	Amount
2012	\$ 691,819
2013	726,410
2014	762,730
2015	800,867
2016	840,910
2017 - 2018	<u>1,810,059</u>
Total Minimum Payments Required	<u>\$ 5,632,795</u>

SUMMERVILLE ADVANTAGE ACADEMY
A Charter School And Component Unit of the District School Board Of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

7. SCHEDULE OF FEDERAL, STATE, & LOCAL REVENUE SOURCES

The School's Federal, State, and local revenue for the 2011 fiscal year is as follows:

Source	Amount
<i>FEDERAL:</i>	
Child Nutrition Cluster	\$ 185,624
Education Job Act, Title I	116,284
Total Federal Revenue	301,908
<i>STATE:</i>	
Florida Education Finance Program	\$ 2,131,771
Categorical Educational Programs:	
Class Size Reduction	657,136
Supplementary Academic Instruction	188,722
Instructional Materials	43,521
Transportation	58,464
Safe School	15,702
State Fiscal Stabilization Allocation	180,872
After School Care Allocation	9,373
Reading Instruction	20,312
Charter School Capital Outlay	226,127
ESE Guaranteed Allocation	19,176
School Recognition	41,625
Florida Teachers' Lead Program	6,463
Discretionary Lottery	2,084
Total State Revenue	3,601,348
<i>LOCAL:</i>	
Discretionary Millage	\$ 214,961
School Lunch Sales	40,025
Total Local Revenue	254,986
Total State and Local Revenue	\$ 3,856,334

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$79,709.

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

8. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity 401(k) plan for employees with more than three months of service with the School. Contributions made by the School totaled \$9,031 for the year ended June 30, 2011 which were computed at 1.5% of employee's deferral of wages for each participating employee. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

9. OPERATING AGREEMENT

The School entered into a contract for the period July 1, 2007, to June 30, 2017, with Charter School Associates (CSA). The contract calls for CSA to provide the School with marketing, curriculum design and implementation; student and staff recruiting; principal selection; and general management of the School's operations. The contract calls for an initial fee of \$91,000 to be paid over a three year period. An annual fee is to be 8% of the School's gross operating revenue less the School's administrative fee, to be paid in monthly installments. Fees under this agreement incurred to CSA during the 2010-11 fiscal year amounted to \$298,950.

10. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2011, may be impaired.

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

11. RISK MANAGEMENT PROGRAMS

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

12. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

NOTES TO FINANCIAL STATEMENTS
June 30, 2011

13. FUNDING AND CREDIT CONCENTRATIONS

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

14. RELATED PARTY TRANSACTIONS

On June 30, 2009, Charter School Associates (CSA), the School's operations consultant, loaned the School \$50,000 under an 18 month loan agreement at a 4.50% interest rate. Repayment of this loan started on August 1, 2009. As of June 30, 2011, the amount owed to CSA on this loan is \$7,988.

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

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND MAJOR SPECIAL REVENUE FUND - (Unaudited)
For the Fiscal Year Ended June 30, 2011**

	General Fund		Variance with Final Budget - Positive (Negative)	Major Special Revenue Fund		Variance with Final Budget - Positive (Negative)
	Original/ Final Budget	Actual		Original/ Final Budget	Actual	
Revenues:						
Intergovernmental:						
Federal through Local						
State and Local	\$ 3,816,309	3,816,309	\$ -	\$ 301,908	301,908	\$ -
Contributions and Other	124,889	124,889	-	40,025	40,025	-
Total Revenues	<u>3,941,198</u>	<u>3,941,198</u>	-	<u>341,933</u>	<u>341,933</u>	-
Expenditures:						
Current - Education:						
Instruction	1,718,537	1,718,537	-	116,284	116,284	-
Instructional Media	23,685	23,685	-	-	-	-
Instruction & Curriculum Development	5,000	5,000	-	-	-	-
Instructional Staff Training	10,825	10,825	-	-	-	-
Board of Education	445,770	445,770	-	-	-	-
School Administration	290,141	290,141	-	-	-	-
Facilities Acquisition & Construction	697,503	697,503	-	-	-	-
Fiscal Services	2,156	2,156	-	-	-	-
Food Services	-	-	-	270,564	270,564	-
Pupil Transportation	132,270	132,270	-	-	-	-
Operation of Plant	288,830	288,830	-	-	-	-
Maintenance of Plant	16,200	16,200	-	-	-	-
Community Service	58,331	58,331	-	-	-	-
Fixed Capital Outlay:						
Other Capital Outlay	4,539	4,539	-	-	-	-
Debt Service:						
Principal	41,723	41,723	-	-	-	-
Interest & Fiscal Charges	4,012	4,012	-	-	-	-
Total Expenditures	<u>3,739,522</u>	<u>3,739,522</u>	-	<u>386,848</u>	<u>386,848</u>	-
Excess (Deficiency) of Revenues Over Expenditures	<u>201,676</u>	<u>201,676</u>	-	<u>(44,915)</u>	<u>(44,915)</u>	-
Other Financing Sources (Uses):						
Transfers In/(Out)	(44,915)	(44,915)	-	44,915	44,915	-
Total Other Financing Sources (Uses)	<u>(44,915)</u>	<u>(44,915)</u>	-	<u>44,915</u>	<u>44,915</u>	-
Net Change in Fund Balance	<u>156,761</u>	<u>156,761</u>	-	-	-	-
Fund Balance, July 1, 2010	<u>343,497</u>	<u>343,497</u>	-	-	-	-
Fund Balance, June 30, 2011	<u>\$ 500,258</u>	<u>\$ 500,258</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Independent Auditor's Report.

KING & WALKER, CPAs, PL

Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

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

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

We have audited the basic financial statements of the Summerville Advantage Academy ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2011, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

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

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

Respectfully submitted,

King & Walker, CPAs

August 25, 2011
Lutz, Florida

KING & WALKER, CPAs, PL
Certified Public Accountants

David M. King, CPA
Robert I. Walker, CPA

840 W. Lutz Lake Fern Road
Lutz, FL 33548
office (813) 610-0659 fax (813) 949-9376

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

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

We have audited the basic financial statements of the Summerville Advantage Academy ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2011, and have issued our report thereon dated August 25, 2011.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated August 25, 2011. Disclosures in that report, if any, should be considered in conjunction with this management letter.

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

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

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

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

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

The Rules of the Auditor General (Section 10.854(1)(e)4.5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

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

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

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

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

Respectfully submitted,

King & Walker, CPAs

August 25, 2011
Lutz, Florida

SUMMERVILLE ADVANTAGE ACADEMY

Management's Response to Audit Findings

Year Ended June 30, 2011

The following is the School's response to the item in the Management Letter dated August 25, 2011, as required by Rule 10.857, Rules of the Auditor General:

No response required.