

**LAUDERDALE LAKES ACADEMY, INC.**  
(A COMPONENT UNIT OF THE SCHOOL BOARD OF BROWARD COUNTY, FLORIDA)

**BASIC FINANCIAL STATEMENTS  
AND ADDITIONAL INFORMATION**

June 30, 2009

LAUDERDALE LAKES ACADEMY, INC.  
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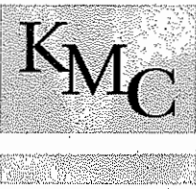
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**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
DAVID T. WILLIAMS, C.P.A.  
JOSEPH D. LEO, C.P.A.  
WILLIAM G. BENSON, C.P.A.  
KENNETH G. SMITH, C.P.A.  
LOUIS R. PROIETTO, C.P.A.

CYNTHIA L. CALVERT, C.P.A.  
ISRAEL J. GOMEZ, C.P.A.  
JAMES R. LARAWAY, C.P.A.  
JOHN E. McCULLOUGH, C.P.A. (RETIRED)  
THOMAS T. CARPENTER, C.P.A. (RETIRED)  
PAUL B. SNEIDER, C.P.A. (RETIRED)  
BRIAN D. PINNELL, C.P.A. (RETIRED)

ROSS S. GOTTHOFFER, C.P.A.

6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmccpa.com](mailto:kmc@kmccpa.com)

**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Lauderdale Lakes Academy, Inc.  
Lauderdale Lakes, Florida

We have audited the accompanying basic financial statements of the governmental activities and the General Fund of Lauderdale Lakes Academy, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2009, which collectively comprises the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of Lauderdale Lakes Academy, Inc.'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 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 our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Lauderdale Lakes Academy, Inc. as of June 30, 2009, and the respective change in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The School has a substantial balance due from an affiliate party in the amount of \$ 786,998 in the accompanying basic financial statements. Management had determined that this balance will be collectible based on certain assets being able to be used as satisfaction of the amount due from Smart School, Inc. Management has not reserved for any amount of the balance due from Smart School, Inc. (Note 7).

Lauderdale Lakes Academy, Inc.

In accordance with Government Auditing Standards, we have also issued our report dated April 21, 2010, on our consideration of the School's internal control over financial reporting and 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 important for in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 is not a required part of the basic financial statements, but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

*Keefe, McCullough & Co., LLP*  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
April 21, 2010

**LAUDERDALE LAKES ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2009

The management's discussion and analysis of Lauderdale Lakes Academy, Inc.'s (the "School") financial performance provides an overview of the School's financial activities for the years ended June 30, 2009 and 2008. Please read it in conjunction with the School's financial statements, which immediately follow this discussion.

**FINANCIAL HIGHLIGHTS**

The following are the highlights of financial activity for the year ended June 30, 2009:

- The School's total assets exceeded its liabilities at June 30, 2009 by \$ 231,512.
- The School's total revenues were \$ 4,204,835, \$ 3,227,250 from FTE revenues, \$ 133,573 from grants and contributions, not restricted for specific programs, \$ 145,080 from other income and \$ 698,932 from program revenues. The School's expenses for the year were \$ 4,118,088.

**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 basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other required supplemental information in addition to the basic financial statements.

**Government-wide financial statements:**

The government-wide financial statements, which consist of the following two 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 the School's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered, but unpaid.)

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 8 and 9 of this report.

**Fund 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. The School only has one category of funds - governmental funds. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

LAUDERDALE LAKES ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

**Governmental funds:**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains only one governmental fund type, which is the General Fund. Information is presented in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance for the General Fund.

The School adopts an annual budget for its governmental fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The government fund financial statements can be found on pages 10 through 13 of this report.

**Notes to basic financial statements:**

The notes to basic 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 financial statements can be found on pages 14 through 20 of this report.

**Other information:**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplemental information concerning the School's adopted budget to actual results. Required supplemental information can be found on page 21 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

A portion of the School's net assets reflect its investment in capital assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Resources that are subject to external restrictions on how they may be used are classified as restricted assets. For the year ended June 30, 2009, the School had no restricted assets. The remaining unrestricted balance may be used to meet the School's ongoing obligations. The following table presents the change in net assets for the years ended June 30, 2009 and 2008:

LAUDERDALE LAKES ACADEMY, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2009

**GOVERNMENT-WIDE FINANCIAL ANALYSIS** (continued)

Lauderdale Lakes Academy, Inc. Net Assets		2009	2008
<b>ASSETS:</b>			
Current and other assets	\$	823,428	\$ 346,542
Capital assets, net of depreciation		34,784	66,032
Total assets		858,212	412,574
<b>CURRENT LIABILITIES</b>			
Total liabilities		626,700	267,809
Total liabilities		626,700	267,809
<b>NET ASSETS:</b>			
Invested in capital assets		34,784	66,032
Unrestricted		196,728	78,733
Total net assets	\$	231,512	\$ 144,765

**Governmental activities:**

The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2009 and 2008:

Lauderdale Lakes Academy, Inc. Change in Net Assets		2009	2008
<b>REVENUES:</b>			
General revenues	\$	3,505,903	\$ 2,572,114
Program revenues:			
Operating grants and contributions		207,596	300,607
Capital grants		378,735	243,956
Charges for services		112,601	110,816
Total revenues		4,204,835	3,227,493

**LAUDERDALE LAKES ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
 June 30, 2009

Lauderdale Lakes Academy, Inc.  
 Change in Net Assets (continued)

	2009	2008
<b>FUNCTIONS/PROGRAM</b>		
<b>EXPENSES:</b>		
Instruction	2,308,385	1,515,598
General administration	697,168	557,314
Operation of facility	342,376	423,899
School administration	334,512	218,000
Pupil transportation services	139,320	141,062
Central services	132,862	116,433
Food service costs	97,127	94,939
Facility maintenance	59,890	42,677
Support services	6,448	12,784
Total expenses	4,118,088	3,122,706
Change in net assets	86,747	104,787
Net assets, beginning of year	144,765	39,978
Net assets, end of year	\$ 231,512	\$ 144,765

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUND**

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of June 30, 2009, the School's governmental funds reported ending fund balance of \$ 196,728.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The following is an analysis of the School's adopted budget to actual variances and comments on certain differences.

- Actual revenues were higher than budgeted due to additional grants received.
- Actual expenditures amounts were higher than budgeted due to unanticipated expenditures relating to the additional grant.

**LAUDERDALE LAKES ACADEMY, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2009

**CAPITAL ASSETS ADMINISTRATION**

*Capital assets*

The School's investment in capital assets for the year ended June 30, 2009 amounts to \$ 34,784, net of accumulated depreciation of \$ 363,579. This investment in capital assets is composed of School's furniture and equipment, computer equipment, and leasehold improvements. A more detailed analysis is provided on page 18.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The School added a high school in September 2008. The School population increased from 200 to 520 students. In addition, the School operated without the financial support of a private contributor for the year ended June 30, 2009. These factors were considered in preparing the School's budget for the fiscal year 2009-2010.

**REQUESTS FOR INFORMATION**

Questions about this report or requests for additional information should be directed to Mr. Edward Miller, Executive Director; Lauderdale Lakes Academy, Inc.; 3020 N.W. 33rd Avenue; Lauderdale Lakes, Florida 33311.

LAUDERDALE LAKES ACADEMY, INC.  
STATEMENT OF NET ASSETS  
June 30, 2009

A S S E T S

CURRENT ASSETS:

Accounts receivable	\$	22,328
Due from Smart School, Inc.		786,998
Prepaid expenses		12,394
Deposits		<u>1,708</u>
Total current assets		823,428

NONCURRENT ASSETS:

Capital assets depreciable, less accumulated depreciation of \$ 363,579		<u>34,784</u>
Total assets		<u>858,212</u>

L I A B I L I T I E S   A N D   N E T   A S S E T S

CURRENT LIABILITIES:

Bank overdraft		11,495
Accounts payable		252,960
Accrued liabilities		256,502
Due to management company		<u>105,743</u>
Total current liabilities		<u>626,700</u>
Total liabilities		<u>626,700</u>

CONTINGENCIES AND COMMITMENTS (Notes 6 and 9)

-

NET ASSETS:

Invested in capital assets		34,784
Unrestricted		<u>196,728</u>
Total net assets	\$	<u><u>231,512</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

LAUDERDALE LAKES ACADEMY, INC.  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2009

		Program Revenues			Governmental Activities
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expense) and Change in Net Assets	
<b>FUNCTIONS/PROGRAMS:</b>					
Governmental Activities:					
Instruction	\$ 2,308,385	\$ 89,851	\$ 207,596	\$ -	\$ (2,010,938)
General administration	697,168	-	-	-	(697,168)
Operation of facility	342,376	22,750	-	378,735	59,109
School administration	334,512	-	-	-	(334,512)
Pupil transportation services	139,320	-	-	-	(139,320)
Central services	132,862	-	-	-	(132,862)
Food service costs	97,127	-	-	-	(97,127)
Facility maintenance	59,890	-	-	-	(59,890)
Support services	6,448	-	-	-	(6,448)
	<u>\$ 4,118,088</u>	<u>\$ 112,601</u>	<u>\$ 207,596</u>	<u>\$ 378,735</u>	<u>(3,419,156)</u>
Total governmental activities					
General revenues:					
					3,227,250
					133,573
					145,080
					3,505,903
					86,747
					144,765
					231,512
					\$ 231,512

The accompanying notes to basic financial statements are an integral part of these statements.

LAUDERDALE LAKES ACADEMY, INC.  
BALANCE SHEET - GOVERNMENTAL FUND  
June 30, 2009

A S S E T S

	<u>General Fund</u>
<b>ASSETS:</b>	
Accounts receivable	\$ 22,328
Due from Smart School, Inc.	786,998
Prepaid expenditures	12,394
Deposits	<u>1,708</u>
Total assets	<u>\$ 823,428</u>

L I A B I L I T I E S   A N D   F U N D   B A L A N C E

<b>LIABILITIES:</b>	
Bank overdraft	\$ 11,495
Accounts payable	252,960
Accrued liabilities	256,502
Due to management company	<u>105,743</u>
Total liabilities	<u>626,700</u>

CONTINGENCIES AND COMMITMENTS (Notes 6 and 9) -

<b>FUND BALANCE:</b>	
Reserved for prepaid expenditures	12,394
Unreserved	<u>184,334</u>
Total fund balance	<u>196,728</u>
Total liabilities and fund balance	<u>\$ 823,428</u>

The accompanying notes to basic financial statements are an integral part of these statements.

LAUDERDALE LAKES ACADEMY, INC.  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND  
TO THE STATEMENT OF NET ASSETS  
June 30, 2009

TOTAL FUND BALANCE - GOVERNMENTAL FUND, PAGE 10	\$	196,728
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Amounts reported for governmental activities in the statement of net assets are difference because:

The cost of capital assets acquired is reported as an expenditure in the governmental fund. The statement of net assets includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Governmental capital assets	\$	398,363	
Less accumulated depreciation		<u>(363,579)</u>	<u>34,784</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 8	\$		<u><u>231,512</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

LAUDERDALE LAKES ACADEMY, INC.  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND  
For the Year Ended June 30, 2009

	General Fund
<b>REVENUES:</b>	
State sources	\$ 3,709,046
Local sources	199,526
Federal sources	296,263
Total revenues	4,204,835
 <b>EXPENDITURES:</b>	
Current:	
Instruction	2,308,385
General administration	697,168
Operation of facility	308,200
School administration	334,512
Pupil transportation services	139,320
Central services	132,862
Food service costs	97,127
Facility maintenance	59,890
Support services	6,448
Capital outlay	2,928
Total expenditures	4,086,840
Change in fund balance	117,995
FUND BALANCE, July 1, 2008	78,733
FUND BALANCE, June 30, 2009	\$ 196,728

The accompanying notes to basic financial statements are an integral part of these statements.

LAUDERDALE LAKES ACADEMY, INC.  
 RECONCILIATION OF THE STATEMENT OF REVENUES,  
 EXPENDITURES AND CHANGE IN FUND BALANCE  
 OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES  
 For the Year Ended June 30, 2009

NET CHANGE IN FUND BALANCE, TOTAL GOVERNMENTAL FUND, PAGE 12	\$	117,995
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as provision for depreciation.

The cost of property and equipment purchased	\$	2,928	
Less provision for depreciation		<u>(34,176)</u>	<u>(31,248)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES, PAGE 9	\$	<u><u>86,747</u></u>
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The accompanying notes to basic financial statements are an integral part of these statements.

LAUDERDALE LAKES ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 1 - ORGANIZATION AND OPERATIONS

Lauderdale Lakes Academy, Inc., a component unit of the School Board of Broward County, Florida (the "School"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The School commenced operations in August 2003 in the City of Lauderdale Lakes and offers classes for grade six through eight. In September 2008 the School expanded to include classes for grade nine through twelve. Combined enrollment of the School was approximately 540 students at June 30, 2009.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity:

The School operates under a charter granted by the sponsoring School District, the School Board of Broward County, Florida (the "Sponsor"). The current charter is effective until June 30, 2013, and may be renewed in increments of five years by mutual written agreement between the School and the Sponsor. At the end of the term of the charter, the Sponsor may choose not to renew the charter under grounds specified in the charter in which case the Sponsor is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Sponsor may also terminate the charter if good cause is shown. Lauderdale Lakes Academy, Inc. is considered a component unit of the School Board of Broward County, Florida.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's financial statements.

Basis of presentation:

Based on the contractual provisions within the School's contract with the School Board of Broward County, Florida and the provisions of the Florida Statutes, the School is presented as a governmental organization for financial reporting purposes.

Basic financial statements - government-wide statements:

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major fund). Both the government-wide and fund financial statement categorize primary activities as either governmental or business type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net assets, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations. The School's net assets are reported in three parts: invested in capital assets; restricted net assets; and unrestricted net assets.

LAUDERDALE LAKES ACADEMY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

As of June 30, 2009, all of the School's net assets were classified as:

Invested in capital assets	\$	34,784
Unrestricted		<u>196,728</u>
	\$	<u><u>231,512</u></u>

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (unrestricted grants and contributions, investment income, other revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues such as operating and capital grants and charges for services. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net assets resulting from the current year's activities.

Fund financial statements:

The accounts of the School are organized on the basis of funds. The operations of the General Fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures.

The General Fund is employed in accounting for the financial activities of the School. It is a governmental fund type and is used to account for all financial transactions.

Measurement focus and basis of accounting:

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the government-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within sixty days after year end or soon enough thereafter to be used to pay liabilities of the current period.

Cash and cash equivalents:

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

LAUDERDALE LAKES ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Net assets:

Net assets are classified in two categories. The meaning of each is as follows:

Invested in capital assets, net of related debt - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those capital assets.

Unrestricted - indicates that portion of net assets that may be used to fund future operations.

Fund balance:

Fund balance is classified in two categories. The meaning of each is as follows:

Reserved - indicates the portion of fund balance not available for appropriation in subsequent periods or legally segregated for a specific future use. These amounts do not represent available spendable resources.

Unreserved - indicates that portion of net assets that may be used to fund future operations.

Designations of fund balance represent tentative management plans that are subject to change.

Capital assets:

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 500 and a useful life of over one year. Donated property and equipment are valued at their estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed/expended as incurred.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Computer equipment	5 years
Furniture and equipment	5 years
Leasehold improvements	10-20 years

Allowance for doubtful accounts:

Management of the School reviews the accounts receivable balances and provides an allowance for accounts which may be uncollectible. At June 30, 2009, management considers the accounts receivable to be fully collectible within the current accounting period and no allowance for doubtful accounts is considered necessary.

LAUDERDALE LAKES ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition:

Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee retained by the School Board. This funding is received on a pro-rata basis over a twelve-month period and is adjusted for changes in full-time equivalent (FTE) student population.

Grant and contract revenue is recognized when the allowable costs as defined by the individual grant or contract are incurred.

Compensated absences:

The School's policy is not to allow employees to carry over vacation. Unused sick leave benefits are paid based on fifty cents for every one dollar earned upon separation from service. No liability for compensated absences was recorded for the year ended June 30, 2009.

Use of estimates:

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 3 - BUDGET

The School formally adopted a budget for the General Fund, by function, for the year ended June 30, 2009. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of actual results of operations to the budgeted amounts for the General Fund is presented as required supplemental information on page 21.

NOTE 4 - DEPOSITS

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 statues and the School's policy. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC). On May 20, 2009, the temporary increase in the standard maximum deposit insurance amount to \$ 250,000 per depositor was extended through December 31, 2013. At the year end, the carrying amount of the School's deposits was a bank overdraft of \$ 11,495 and the bank balance was \$ 14,162. The deposits were fully insured by the FDIC.

LAUDERDALE LAKES ACADEMY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009

NOTE 5 - CAPITAL ASSETS

A summary of changes in governmental capital assets is as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Capital assets:				
Computer equipment	\$ 268,861	\$ 2,928	\$ -	\$ 271,789
Furniture and equipment	96,313	-	-	96,313
Leasehold improvements	<u>30,261</u>	<u>-</u>	<u>-</u>	<u>30,261</u>
	<u>395,435</u>	<u>2,928</u>	<u>-</u>	<u>398,363</u>
Accumulated depreciation:				
Computer equipment	(240,671)	(20,985)	-	(261,656)
Furniture and equipment	(82,872)	(9,694)	-	(92,566)
Leasehold improvements	<u>(5,860)</u>	<u>(3,497)</u>	<u>-</u>	<u>(9,357)</u>
	<u>(329,403)</u>	<u>(34,176)</u>	<u>-</u>	<u>(363,579)</u>
Net capital assets	\$ <u>66,032</u>	\$ <u>(31,248)</u>	\$ <u>-</u>	\$ <u>34,784</u>

Provision for depreciation for the year ended June 30, 2009, amounted to \$ 34,176. The School allocated all depreciation to the operation of the facility.

As part of the School's charter contract, all capital assets purchased with public funds will automatically revert to the district school board upon the nonrenewal or termination of the contract.

NOTE 6 - CONTINGENCIES AND COMMITMENTS

Grant agreements:

The School received financial assistance from federal and local governmental agencies in the form of grants. The disbursement of funds received under these programs require compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the State of Florida Single Audit Act, the School is not required to conduct a "single audit" since the required threshold of federal and/or state money is currently \$ 500,000 and the School did not exceed such threshold.

Management commitment:

The School has a management contract with Tech-Ed Ventures, Inc., which requires monthly payments of \$ 15,592. This management contract has not been renewed and continues on a month-to-month basis subsequent to June 30, 2009. For the year ended June 30, 2009, these fees amounted to \$ 187,104. As of June 30, 2009, the School shows an amount due to management company of \$ 105,743, which relates to these fees, included in accounts payable to the accompanying financial statements.

LAUDERDALE LAKES ACADEMY, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009

NOTE 6 - CONTINGENCIES AND COMMITMENTS (continued)

Lease commitments:

The School leases certain office equipment items requiring aggregate monthly rental payments of approximately \$ 650, plus overage fees and supplies, through July 2009 and lesser amounts thereafter until October 2012. Total expense related to these obligations for the year ended June 30, 2009 was \$ 9,426.

Approximate minimum lease payments are approximately as follows:

<u>Year Ending</u> <u>June 30</u>		
2010	\$	3,570
2011	\$	3,200
2012	\$	2,700
2013	\$	680
Thereafter	\$	NONE

The School entered into a one year facility lease agreement that requires base monthly payments of \$ 15,000 commencing July 1, 2008 which is now on a month to month basis. Rental expense in connection with this lease totaled approximately \$ 201,000 including certain shared common area maintenance charges for the year ended June 30, 2009, which was covered in part by Smart School, Inc. as they share in the occupancy of the facilities.

Litigation:

The School is involved in lawsuits which arose in the normal course of operations. The School's management and legal counsel do not feel that any determination can be made at this time concerning the potential liability on these claims, if any, and no adjustments has been made in the accompanying financial statements.

NOTE 7 - DUE FROM SMART SCHOOL, INC.

The School was assisted financially through various transactions and agreements by a related party, Smart School, Inc., during the school year. The School entered into a lease agreement with Smart School, Inc. for the use of its facilities to operate the middle school operated by Smart School, Inc. The lease calls for monthly payments of approximately \$ 9,100 and automatically renews annually until June 2012. The School also charged Smart School, Inc. for various operating expenses. The rental income for current year agreements totaled \$ 22,750 for the year ended June 30, 2009. Management has evaluated the collectability of the amount due and believes that satisfaction of the amount due can be provided through transfers of certain property and equipment including the modular buildings and related infrastructure inclusive of deposits placed with the landlord; therefore, no allowance has been provided for to reduce the amount due from Smart School, Inc.

LAUDERDALE LAKES ACADEMY, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE 7 - DUE FROM SMART SCHOOL, INC. (continued)

The following is a summary of all such transactions:

Amount due from Smart School, Inc. as of June 30, 2008	\$ 247,649
Payments made to Smart School, Inc.	2,590,500
Expenses paid by the School on behalf of Smart School, Inc.	186,516
Rent incurred by Smart School, Inc. for use of facility	22,750
Expenses paid by Smart School, Inc. on behalf of the School:	
Operating expenses	(155,297)
Payroll and related benefits	<u>(2,105,120)</u>
Amount due from Smart School, Inc. as of June 30, 2009	\$ <u><u>786,998</u></u>

NOTE 8 - INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

NOTE 9 - RISK FINANCING

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the last three years.

NOTE 10 - SUBSEQUENT EVENTS

Subsequent events have been considered by management up until the date of the auditors' report.

**LAUDERDALE LAKES ACADEMY, INC.**  
**BUDGETARY COMPARISON SCHEDULE**  
For the Year Ended June 30, 2009

	Original and Final Budget	Actual	Variance
<b>REVENUES:</b>			
FTE revenue	\$ 3,473,400	\$ 3,227,250	\$ (246,150)
Grants and contributions	100,268	310,014	209,746
Miscellaneous	-	200,169	200,169
Capital grants	430,500	467,402	36,902
Total revenues	4,004,168	4,204,835	200,667
<b>EXPENDITURES:</b>			
Current:			
Salaries	2,457,765	2,661,603	(203,838)
Management fee	331,835	342,987	(11,152)
Rent	318,000	200,733	117,267
Instructional support	155,027	148,198	6,829
Transportation	204,505	140,212	64,293
Lunches	25,000	97,127	(72,127)
Utilities	133,108	115,841	17,267
Insurance	111,421	96,895	14,526
Repairs and maintenance	84,317	86,124	(1,807)
Office supplies	102,500	140,545	(38,045)
Professional services	25,000	25,328	(328)
Telephone	-	20,146	(20,146)
Small equipment	47,690	-	47,690
Printing	-	6,807	(6,807)
Advertising	-	1,366	(1,366)
Administrative costs	8,000	-	8,000
Capital outlay	-	2,928	(2,928)
Total expenditures	4,004,168	4,086,840	(82,672)
Change in fund balance	-	117,995	117,995
FUND BALANCE, July 1, 2008	-	78,733	78,733
FUND BALANCE, June 30, 2009	\$ -	\$ 196,728	\$ 196,728

**NOTE 1 – OVER EXPENDITURE OF BUDGET:**

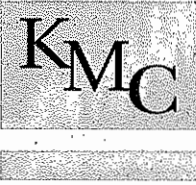
Total expenditures exceeded budget by \$ 82,672. The School had excess revenues generated to partially cover the expenditures exceeded.

**NOTE 2 – BUDGETARY LEVEL OF CONTROL:**

The level of which the School controls its expenditures is at the overall expenditure level

**NOTE 3 – ENCUMBRANCE ACCOUNTING:**

The School does not use encumbrance accounting.



**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
STEVEN H. WOODS, C.P.A.  
DAVID T. WILLIAMS, C.P.A.  
JOSEPH D. LEO, C.P.A.  
WILLIAM G. BENSON, C.P.A.  
KENNETH G. SMITH, C.P.A.  
LOUIS R. PROIETTO, C.P.A.

CYNTHIA L. CALVERT, C.P.A.  
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THOMAS T. CARPENTER, C.P.A. (RETIRED)  
PAUL B. SNEIDER, C.P.A. (RETIRED)  
BRIAN D. PINNELL, C.P.A. (RETIRED)

ROSS S. GOTTHOFFER, C.P.A.

6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: kmc@kmc CPA.com

**INDEPENDENT AUDITORS' 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  
Lauderdale Lakes Academy, Inc.  
Lauderdale Lakes, Florida

We have audited the basic financial statements of the governmental activities and the General Fund of Lauderdale Lakes Academy, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2009, which collectively comprise the School's financial statements and have issued our report thereon dated April 21, 2010. 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 opinions 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified any deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements, that is more than inconsequential, will not be prevented or detected by the School's internal control. We consider two of the deficiencies described in the accompanying Schedule of Findings and Responses to be significant deficiencies in internal control over financial reporting including items 2009-1 and 2009-2.

Lauderdale Lakes Academy, Inc.

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

Our consideration of internal control financial reporting was for the limited purpose described in first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described as the previous page, we consider item 2009-2.

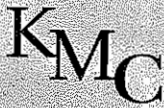
#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's basic 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 the School's management, Board of Directors, the Auditor General of the State of Florida, and the School Board of Broward County, and is not intended to be, and should not be, used by anyone other than these specified parties.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
April 21, 2010



**KEEFE, McCULLOUGH & CO., LLP**  
**CERTIFIED PUBLIC ACCOUNTANTS**

JOHN R. KEEFE, C.P.A.  
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6550 NORTH FEDERAL HIGHWAY  
SUITE 410  
FORT LAUDERDALE, FLORIDA 33308  
(954) 771-0896  
FAX: (954) 938-9353  
E-MAIL: [kmc@kmc CPA.com](mailto:kmc@kmc CPA.com)

## INDEPENDENT AUDITORS' REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors  
Lauderdale Lakes Academy, Inc.  
Lauderdale Lakes, Florida

We have audited the financial statements of Lauderdale Lakes Academy, Inc. (the "School"), a component unit of the School Board of Broward County, Florida, as of June 30, 2009, and have issued our report thereon dated April 21, 2010.

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. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters and Schedule of Findings and Responses. Disclosures in those reports and schedule, which are dated April 21, 2010, should be considered in conjunction with this management letter.

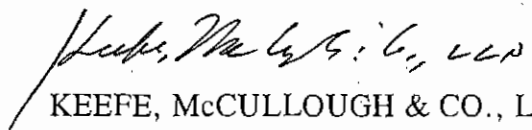
Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school or similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports 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. The status of the corrective action that have been taken to address prior year findings and recommendations, as applicable, is presented in the accompanying Schedule of Findings and Responses on page 26.
2. Section 10.854(1)(e)3., Rules of the Auditor General, require that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had such recommendations and it is reported on the accompanying Schedule of Findings and Responses on page 26.
3. Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, 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 findings other than 2008-1 and 2009-1 reported on page 26.

Lauderdale Lakes Academy, Inc.

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 have an inconsequential effect on the financial statement considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings except as reported in the accompanying Schedule of Findings and Responses on page 26 .
5. Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Lauderdale Lakes Academy, Inc..
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, we determined that the Lauderdale Lakes Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
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 Lauderdale Lakes Academy, Inc.'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.

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 Board of Directors, the Florida Auditor General and the School Board of Broward County, Florida and is not intended to be an should not be used by anyone other than these specified parties.

  
KEEFE, McCULLOUGH & CO., LLP

Fort Lauderdale, Florida  
April 21, 2010

LAUDERDALE LAKES ACADEMY, INC.  
 SCHEDULE OF FINDINGS AND REPOSSES  
 June 30, 2009

STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

	IMPLEMENTED OR NO LONGER RELEVANT	STILL APPLICABLE
2008-1: Compliance Finding – Audited Financial Statements		X

PRIOR YEAR COMMENTS AND RECOMMENDATIONS:

**2008-1: Compliance Finding - Audited Financial Statements**

In accordance with the School’s Charter Agreement with the School Board of Broward County, Florida, the School is required to provide the School Board with annual financial statements by September 30 of each year. The School did not submit the audited financial statements to the School Board by September 30, 2009 or 2008.

**Management’s Response**

The delay was due a late start, and change in financial management. The audit for June 30, 2010 will start in June 2010. This should not be an issue again.

CURRENT YEAR COMMENTS AND RECOMMENDATIONS

**2009-1: Internal Control Finding – Custody of Capital Assets**

The School has not conducted an inventory of capital assets recently and many of the items on the subsidiary ledger appear old and most likely been sold or scrapped and not removed from the ledger. Many of the items in question have been fully depreciated but are still being carried on the list.

**Management’s Response:**

Fixed asset sub-ledgers will be adjusted, based on a full physical inventory, which will be completed by May 31, 2010.

**2009-2 Internal Control Finding - Prepare More Accurate Interim Financial Statements**

Based on the number of entries recorded to the School’s financial records as audit entries, financial information presented on an interim periods were not accurate. This resulted in conflicting information for management, Board members, and other outside users. We recommend that the School incorporate new accounting procedures and include properly trained personnel to prepare all financial information.

**Management's response**

The accounting system used the last two years has been eliminated. We did not get from it what was expected. We have converted back to Quickbooks, which has simplified matters. Monthly reporting and reconciliations are being performed by an independent outside consultant.