

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)
Miramar, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2009

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Somerset Academy Middle School Miramar
12601 Somerset Blvd.
Miramar, FL 33027

2008-2009

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Somerset Academy Middle School Miramar
Miramar, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Somerset Academy Middle School Miramar (the "School"), a charter school under Somerset Academy, Inc., a component unit of the District School Board of Broward County, as of, and for the year ended June 30, 2009, which collectively comprises the School's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Middle School Miramar at June 30, 2009, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of Somerset Academy Middle School Miramar, as of June 30, 2009, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2009, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and the budgetary comparison information on pages 4 through 8 and 22 through 23, respectively, are not a required part of the basic financial statements but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

HLB Gravin, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2009

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

The corporate officers of Somerset Academy Middle School Miramar have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2009.

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2009 by \$431,829 (net assets).
2. At year-end, the School had current assets on hand of \$418,894.
3. The School had an increase in its net assets of \$33,087 for the year ended June 30, 2009.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2009 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the School's assets and liabilities. The difference between the two is reported as *net assets*. Over time increases or decreases in *net assets* may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 11 – 14 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 15 - 21 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$431,829 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
Cash	\$ 376,716	\$ 242,620
Accounts receivable	-	12,209
Prepaid expenses	42,178	10,899
Capital Assets, net	<u>234,206</u>	<u>203,984</u>
Total Assets	<u>\$ 653,100</u>	<u>\$ 469,712</u>
Accrued Liabilities	<u>221,271</u>	<u>70,970</u>
Total Liabilities	<u>\$ 221,271</u>	<u>\$ 70,970</u>
Invested in Capital Assets, net of related debt	\$ 234,206	\$ 203,984
Restricted	109,055	-
Unrestricted	<u>88,568</u>	<u>194,758</u>
Total Net Assets	<u>\$ 431,829</u>	<u>\$ 398,742</u>

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2009 and 2008 follows:

	<u>2009</u>	<u>2008</u>
REVENUES		
Program Revenues		
Capital Outlay funding	\$ 202,947	\$ 132,794
Operating Grants and Contributions	26,826	-
General Revenues		
FTE nonspecific revenues	1,950,368	1,161,230
Other Revenues	963	169,423
Total Revenues	<u>\$ 2,181,104</u>	<u>\$ 1,463,447</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 979,410	\$ 509,038
Instructional staff training	4,810	3,352
Board	10,519	7,950
School Administration	254,563	173,037
Fiscal Services	148,147	28,761
Food services	28,758	11,335
Central Services	55,653	31,784
Operation of Plant	633,116	352,290
Maintenance of Plant	33,041	14,650
Total Expenses	<u>2,148,017</u>	<u>1,132,197</u>
Increase in Net Assets	33,087	331,250
Net Assets at Beginning of Year	<u>398,742</u>	<u>67,492</u>
Net Assets at End of Year	<u>\$ 431,829</u>	<u>\$ 398,742</u>

The School's revenue increased by \$717,657 in the current year and expenses increased by \$1,015,820, as a result of an increase in student enrollment. The largest increases in expenses were for Instruction and Operation of Plant. The School has an increase in its net assets of \$ 33,087 for the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

At the end of the fiscal year, the School's governmental fund reported a fund balance of \$197,623.

Achievements

In 2009, Somerset Academy Middle School (Miramar Campus) earned a letter grade of "A" for the 2nd consecutive year, ranking among the top middle schools in Broward County. The School also received a "School Recognition Award" from the Florida Department of Education and met Adequate Yearly Progress under the No Child Left Behind Act.

This past year, Somerset Academy students were recognized for their academic achievements, as well as their participation in various competitions and community service activities. Students were named Ident-a-kid County Winners and participated as St. Jude's Sponsors. The School Band was also invited to and performed at the Miramar Cultural Center for their grand opening. In addition, Somerset launched its first annual Holiday Angels program which raised thousands of dollars for the in-house struggling families. The School also received donations for over 4,000 books for the library. Fundraising activities included the Book Fair, which raised over \$5,000 for library books, and Somerset's second annual Miramar Carnival (which raised over \$12,000 for technology). Most impressively, the School received the Gold Seal of Excellence Award from the Florida Consortium of Public Charter Schools.

Somerset Academy Middle School (Miramar Campus) opened in 2007, and currently operates in a brand new, state-of-the-art facility, featuring a media center, science labs, basketball courts, a playground, a computer lab, and high-tech classrooms equipped with Promethean Boards and LCD projectors. The School's mission is to set high academic and social expectations that together lead to the successful development of the whole child and create lifelong learners prepared to contribute in an ever-changing society. Somerset Academy Middle School is fully accredited by the Southern Association of Colleges and Schools.

Capital Assets

The School's investment in capital assets as of June 30, 2009 amounts to \$234,206 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School's budget.

	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Capital Outlay	\$ 219,100	\$ 223,768	\$ 202,947
Federal grants	28,000	28,000	26,826
General Revenues			
FTE Nonspecific Revenues	1,690,200	1,858,313	1,950,368
Other Revenues	<u>-</u>	<u>-</u>	<u>963</u>
Total Revenues	<u>1,937,300</u>	<u>2,110,081</u>	<u>2,181,104</u>
CURRENT EXPENDITURES			
Component Unit Activities:			
Instruction	713,000	879,847	910,803
Instruction staff training services	5,000	5,000	4,810
Board	11,000	11,000	10,519
School Administration	255,000	255,000	254,564
Fiscal Services	150,000	150,000	148,147
Food Services	30,000	30,000	28,353
Central Services	56,000	56,000	55,653
Operation of Plant	594,000	638,768	630,302
Maintenance of Plant	<u>33,000</u>	<u>33,000</u>	<u>32,559</u>
Total Current Expenditures (before capital outlay and debt service)	<u>\$ 1,847,000</u>	<u>\$ 2,058,615</u>	<u>\$ 2,075,710</u>

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Broward, LLC, 6361 Sunset Drive, Miami, Florida 33143.

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)

Statement of Net Assets
June 30, 2009

Assets

Current assets:

Cash	\$	376,716
Prepaid expenses		42,178
		<u>418,894</u>

Capital assets, depreciable		346,026
Less: accumulated depreciation		(111,820)
		<u>234,206</u>

Total Assets \$ 653,100

Liabilities and Net assets

Current liabilities:

Salaries and wages payable	\$	85,125
Due to other charter schools		61,138
Accounts payable		75,008
Total Liabilities		<u>221,271</u>

Net assets:

Invested in capital assets		234,206
Restricted by lease agreement		109,015
Unrestricted		88,568
Total Net Assets		<u>431,829</u>

Total Liabilities and Net Assets \$ 653,100

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

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2009

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					-
Instruction	\$ 979,410	\$ -	\$ 26,826	\$ -	\$ (952,584)
Instructional media services	-	-	-	-	-
Instructional staff training	4,810	-	-	-	(4,810)
Board	10,519	-	-	-	(10,519)
School administration	254,563	-	-	-	(254,563)
Fiscal services	148,147	-	-	-	(148,147)
Food services	28,758	-	-	-	(28,758)
Central services	55,653	-	-	-	(55,653)
Operation of plant	633,116	-	-	202,947	(430,169)
Maintenance of plant	33,041	-	-	-	(33,041)
Total governmental activities	2,148,017	-	26,826	202,947	(1,918,244)
General revenues:					
FTE nonspecific revenues					1,950,368
Interest and other revenue					963
Change in net assets					33,087
Net assets, beginning					398,742
Net assets, ending					<u>\$ 431,829</u>

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

Somerset Academy Middle School Miramar
 (A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
 June 30, 2009

	General Fund	Special Revenue	Total Governmental
		Fund	Funds
<u>Assets</u>			
Cash	\$ 376,716	\$ -	\$ 376,716
Prepaid expenses	42,178	-	42,178
Total Assets	<u>\$ 418,894</u>	<u>\$ -</u>	<u>\$ 418,894</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 85,125	\$ -	\$ 85,125
Due to other charter schools	61,138		61,138
Accounts payable	75,008	-	75,008
Total Liabilities	<u>221,271</u>	<u>-</u>	<u>221,271</u>
<u>Fund balance</u>			
Reserved	109,055		109,055
Unreserved	88,568	-	88,568
	<u>197,623</u>	<u>-</u>	<u>197,623</u>
Total Liabilities and Fund Balance	<u>\$ 418,894</u>	<u>\$ -</u>	<u>\$ 418,894</u>

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

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
For the year ended June 30, 2009

Total Fund Balance - Governmental Funds \$ 197,623

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

Capital assets of \$346,026 net of accumulated depreciation of \$111,820 used in governmental activities are not financial resources and therefore are not reported in the fund.

234,206

Total Net Assets - Governmental Activities \$ 431,829

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

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)

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

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State passed through local	\$ 1,950,368		\$ 1,950,368
State capital outlay funding		202,947	202,947
Federal sources	-	26,826	26,826
Interest and other revenue	963	-	963
Total Revenues	1,951,331	229,773	2,181,104
Expenditures:			
Current			
Instruction	883,977	26,826	910,803
Instructional staff training services	4,810	-	4,810
Board	10,519	-	10,519
School administration	254,564	-	254,564
Fiscal services	148,147	-	148,147
Food services	28,353	-	28,353
Central services	55,653	-	55,653
Operation of plant	427,355	202,947	630,302
Maintenance of plant	32,559	-	32,559
Capital Outlay:			
Other capital outlay	102,529	-	102,529
Debt Service:			
Redemption of Principal	-	-	-
Interest	-	-	-
Total Expenditures	1,948,466	229,773	2,178,239
Excess (deficit) of revenues over expenditures	2,865	-	2,865
Other financing sources	-	-	-
Net change in fund balance	2,865	-	2,865
Fund Balance at beginning of year	194,758	-	194,758
Fund Balance at end of year	<u>\$ 197,623</u>	<u>\$ -</u>	<u>\$ 197,623</u>

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

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)

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

Net Change in Fund Balance - Governmental Funds \$ 2,865

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$102,529 differed from depreciation expense of \$72,309.

30,222

Change in Net Assets of Governmental Activities

\$ 33,087

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

Note 1 – Organization and Operations

Somerset Academy Middle School Miramar (the "School"), is a charter school under Somerset Academy, Inc., a not-for-profit corporation organized in the State of Florida. The governing body of the School is the board of directors of Somerset Academy, Inc., which also governs other various charter schools. The School operates under a charter granted by the sponsoring district, the District School Board of Broward County (the "District"). The current charter expires on June 30, 2011 and is renewable for additional five-year periods by mutual written agreement between the School and the District. During the term of the charter, the District may terminate the charter if good cause is shown. The School is considered a component unit of such District. The School is located in Miramar, Florida for students from sixth through ninth grades and is funded by the District.

These financial statements are for the year ended June 30, 2009, when approximately 331 students were enrolled for the school year.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information for the School as a whole. Both statements report only governmental activities as the School does not engage in any business type activities. Also, these statements do not include fiduciary activities.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Other revenue sources not properly included with program revenues are reported as general revenues.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for specific revenues, such as federal grants and capital outlay funding that are legally restricted to expenditures for particular purposes.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to Governmental Accounting Standards Board (GASB) Statement No. 33 Accounting and Financial Reporting for Non-Exchange Transactions, as amended by GASB Statement No. 36 Recipient Reporting for Certain Shared Non-Exchange Revenues, they include grants and donations. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities.

Note 2 – Summary of Significant Accounting Policies (continued)

The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Cash

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

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net assets in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

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

Revenue Sources

Revenues for operations will be received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. In addition, the school receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

Note 2 – Summary of Significant Accounting Policies (continued)

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

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. There is an opportunity to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

Government Accounting Standards Board (GASB) Statement 16, Accounting for Compensated Absences, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years.

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

Income Taxes

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

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2009:

	<u>Balance</u> 7/1/08	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> 6/30/09
Capital Assets:				
Leasehold Improvements	\$ 2,458	\$ 54,114	\$ -	\$ 56,572
Software	9,998	10,015	-	20,013
Furniture, equipment and textbooks	<u>231,040</u>	<u>38,401</u>	<u>-</u>	<u>269,441</u>
Total Capital Assets	243,496	102,530	-	346,026
Less Accumulated Depreciation:				
Leasehold Improvements	(124)	(513)	-	(637)
Software	(1,000)	(3,001)	-	(4,001)
Furniture, equipment and textbooks	<u>(38,388)</u>	<u>(68,794)</u>	<u>-</u>	<u>(107,182)</u>
Total Accumulated Depreciation	<u>(39,512)</u>	<u>(72,308)</u>	<u>-</u>	<u>(111,820)</u>
Capital Assets, net	<u>\$ 203,984</u>	<u>\$ 30,222</u>	<u>\$ -</u>	<u>\$ 234,206</u>

Depreciation expense for the year ended June 30, 2009 was \$72,309 and is allocated in the Statement of Activities to instruction, food services, plant operation and maintenance.

Note 4 –Management Agreement

Academica Broward, LLC, a professional charter school management company, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting. The agreement between the School and the management company calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through July 2011, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2009, the School incurred approximately \$156,300 in management fees, of which approximately \$29,167 were due as of the end of the year

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

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

Note 5 – Transactions with Other Charter Schools

Somerset Academy, Inc. operates various charter schools. During 2009, the School shared its facility with Somerset Academy Miramar (another charter school under Somerset Academy, Inc.). As a result, certain activities such as fundraising activities and internal funds are recorded in the books of the other charter school and not in those of Somerset Academy Middle School Miramar. As of June 30, 2009 the School had a payable to Somerset Academy Miramar of \$61,138 related to the facility lease.

The School does not operate its own lunch program. Lunch is provided by the District and the School pays an administrative fee.

Note 6 – Deposits Policy and Credit Risk

It is the School's policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2009, the carrying amount of the School's deposits was \$376,716 and the respective bank balances totaled \$466,476. The total bank balances were subject to coverage under Federal Depository Insurance Corporation (FDIC).

Note 7 – Commitments and Contingencies

The School, together with another school (See Note 5), entered into a lease and security agreement with Film, LLC for its 56,012 square feet facility including all ancillary facilities, outdoor areas and other improvements. Presently, members of the landlord are also stockholders of the entity which is the sole owner of Academica Broward, LLC, the School's management company (See Note 4). This facility is shared with Somerset Academy Miramar (another charter school under Somerset Academy, Inc.). Initial fixed annual payments under this agreement (based on \$23.95 per square foot) are approximately \$1,341,340 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through August 2026 with an option to renew for an additional five-year term. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00 and maintain a reserve for property expenses such as repairs, maintenance, taxes or insurance. Finally, under this agreement the School has granted a first lien on its pledged revenues, which include all revenues collected by the school from the Florida Department of Education, the District, and all other sources.

Lease payments will be allocated among the two schools based on enrollment and usage of facility. The allocation used for 2009, was 36% for the School and 64% for Somerset Academy Miramar.

Note 7 – Commitments and Contingencies (continued)

For 2009, rent expense totaled \$503,966 of which approximately \$502,500 pertained to the facility lease. As of June 30, 2009, the School had \$42,178 in prepaid rent related to such lease. Future minimum payments under the full amount of the lease (to be shared with Somerset Academy Miramar) are as follows:

<u>Year</u>	
2010	\$1,414,870
2011	\$1,414,870
2012	\$1,414,870
2013	\$1,414,870
2014	\$1,414,870
2015-2019	\$7,074,352 (Total for five-year period)
2020-2024	\$7,074,352 (Total for five-year period)
2025-2026	\$2,122,306 (Total for two-year period)

Note 8 – Risk Management

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

Note 9 – Defined Contribution Retirement Plan

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$5,035 for the year ended June 30, 2009. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)

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

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 1,690,200	\$ 1,858,313	\$ 1,950,368
Interest and other revenues	-	-	963
Total Revenues	1,690,200	1,858,313	1,951,331
EXPENDITURES			
Current:			
Instruction	685,000	851,847	883,977
Instructional Staff			
Training Services	5,000	5,000	4,810
Board	11,000	11,000	10,519
School administration	255,000	255,000	254,564
Fiscal services	150,000	150,000	148,147
Food services	30,000	30,000	28,353
Central services	56,000	56,000	55,653
Operation of plant	374,900	415,000	427,355
Maintenance of plant	33,000	33,000	32,559
Total current expenditures	1,599,900	1,806,847	1,845,937
Excess of revenues			
Over current expenditures	90,300	51,466	105,394
Debt service:			
Redemption of principal	-	-	-
Capital outlay:			
Other capital outlay	50,000	50,000	102,529
Total capital outlay and			
Debt service expenditures	50,000	50,000	102,529
Total expenditures	1,649,900	1,856,847	1,948,466
Excess of revenues			
Over expenditures	40,300	1,466	2,865
Fund balance at beginning of year	194,758	194,758	194,758
Fund balance at end of year	<u>\$ 235,058</u>	<u>\$ 196,224</u>	<u>\$ 197,623</u>

Somerset Academy Middle School Miramar
(A charter school under Somerset Academy, Inc.)

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

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 219,100	\$ 223,768	\$ 202,947
Federal sources	28,000	28,000	26,826
Total Revenues	247,100	251,768	229,773
EXPENDITURES			
Current:			
Instruction	28,000	28,000	26,826
Instructional media services	-	-	-
Board	-	-	-
School administration	-	-	-
Fiscal services	-	-	-
Food services	-	-	-
Central services	-	-	-
Operation of plant	219,100	223,768	202,947
Maintenance of plant	-	-	-
Total current expenditures	247,100	251,768	229,773
Excess of revenues			
Over current expenditures	-	-	-
Capital outlay:			
Other capital outlay	-	-	-
Total capital outlay and			
Debt service expenditures	-	-	-
Total expenditures	247,100	251,768	229,773
Excess of revenues			
Over expenditures	-	-	-
Fund balance at beginning of year	-	-	-
Fund balance at end of year	\$ -	\$ -	\$ -

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

Board of Directors of
Somerset Academy Middle School Miramar
Miramar, Florida

We have audited the financial statements of Somerset Academy Middle School Miramar (the "School") as of, and for the year ended June 30, 2009, and have issued our report thereon dated September 29, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the School's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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

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

Compliance and Other Matters

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

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

HLB Graier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2009

MANAGEMENT LETTER

Board of Directors of
Somerset Academy Middle School Miramar
Miramar, Florida

We have audited the accompanying basic financial statements of Somerset Academy Middle School Miramar as of and for the year ended June 30, 2009 and have issued our report thereon dated September 29, 2009.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosure in those reports, which are dated September 29, 2009, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's report or schedule:

1. Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

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

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

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

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

4. Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement accounts, considering both quantitative and qualitative factors: (1) violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, and (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (b) failures to properly record financial transactions; and (c) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

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

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

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

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

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

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

We have applied such procedures and no deteriorating financial condition has been noted.

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

MB Graves, CPA

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2009