

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

**BASIC FINANCIAL STATEMENTS
AND ADDITIONAL INFORMATION**

JUNE 30, 2010

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
BASIC FINANCIAL REPORT
JUNE 30, 2010

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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 "Academy"), a component unit of the School Board of Broward County, Florida, as of and for the year ended June 30, 2010, which collectively comprises the Academy'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.

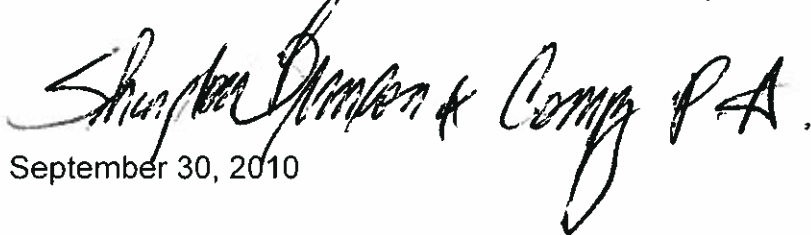
We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform 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, 2010, 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 Academy has a substantial balance due from an affiliate in the amount of \$687,691, 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.

In accordance with Government Auditing Standards, we have also issued our report dated September 30, 2010, on our consideration of the Academy'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 assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 7 and Schedule of Revenues and Expenditures Budget and Actual on page 22 are 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.


September 30, 2010



LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010

The management's discussion and analysis of Lauderdale Lakes Academy, Inc.'s (the "Academy") financial performance provides an overview of the Academy's financial activities for the years ended June 30, 2010 and 2009. Please read it in conjunction with the Academy's financial statements, which immediately follow this discussion.

FINANCIAL HIGHLIGHTS

The following are the highlights of financial activity for the year ended June 30, 2010:

- The Academy's total assets exceeded its liabilities at June 30, 2010 by \$234,434, which is an increase of \$2,922 compared to June 30, 2009.
- The Academy's total revenues were \$3,610,330, which is a decrease of approximately 17% from the prior fiscal year. Revenues were down primarily due to having 7% less students, combined with reduced per-student funding.
- The Academy's total expenditures were \$3,607,407, which were held down by reducing costs through consolidating some functions with another Charter School, and other cost reduction actions.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The Academy'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 Academy's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Academy'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 Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy'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.)

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010

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 Academy does not have any business-type activities. The governmental activities of the Academy 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 Academy only has one category of funds - governmental funds. The Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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 Academy'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 Academy'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 Academy 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 Academy 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.

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010

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 21 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 Academy's adopted budget to actual results. Required supplemental information can be found on page 22 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A portion of the Academy's net assets reflect its investment in capital assets. The Academy 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, 2010, the Academy had no restricted assets. The remaining unrestricted balance may be used to meet the Academy's ongoing obligations. The following table presents the change in net assets for the years ended June 30, 2010 and 2009:

Lauderdale Lakes Academy, Inc. - Net Assets

	<u>2010</u>	<u>2009</u>
ASSETS:		
Current and other assets	\$ 756,007	\$ 823,428
Capital assets, net of depreciation	<u>25,598</u>	<u>34,784</u>
Total assets	<u>781,606</u>	<u>858,212</u>
CURRENT LIABILITIES:		
Total liabilities	<u>547,172</u>	<u>626,700</u>
NET ASSETS:		
Invested in capital assets	25,598	34,784
Unrestricted	<u>208,836</u>	<u>196,728</u>
Total net assets	<u>234,434</u>	<u>231,512</u>
Total Liabilities and Net Assets	<u>\$ 234,434</u>	<u>\$ 231,512</u>

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010

Governmental activities:

The results of this year's operations for the Academy as a whole are reported in the statement of activities on page 9. The table below provides a condensed presentation of the Academy's revenues and expenses for the years ended June 30, 2010 and 2009:

Lauderdale Lakes Academy, Inc. - Change in Net Assets

	<u>2010</u>	<u>2009</u>
REVENUES:		
General revenues	\$ 3,091,913	\$ 3,505,903
Program revenues:		
Operating grants and contributions	211,605	207,596
Capital grants	306,812	378,735
Charges for services	<u> -</u>	<u>112,601</u>
Total Revenues	<u>3,610,330</u>	<u>4,204,835</u>
FUNCTIONS/PROGRAM EXPENSES:		
Instruction	1,678,708	2,308,385
General administration	845,763	697,168
Operation of facility	502,091	342,376
Academy administration	148,433	334,512
Fiscal services	21,318	-
Pupil transportation services	53,152	139,320
Central services	138,287	132,862
Food service costs	90,575	97,127
Facility maintenance	128,440	59,890
Support services	<u> 640</u>	<u> 6,448</u>
Total Expenses	<u>3,607,408</u>	<u>4,118,088</u>
Change in net assets	2,922	86,747
Net assets, beginning of year	<u>231,512</u>	<u>144,765</u>
Net assets, end of year	<u>\$ 234,434</u>	<u>\$ 231,512</u>

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2010

FINANCIAL ANALYSIS OF THE ACADEMY'S FUND

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

As of June 30, 2010, the School's governmental funds reported ending fund balance of \$208,835.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

- Actual revenues were lower than budgeted due to lower than budget student counts, and reduced funding from the state.
- Actual expenditures amounts were lower than budgeted due to cost reductions resulting from consolidating costs with another charter school.
- Overall cost control offset the reduced revenues and increased the Fund Balance.

CAPITAL ASSETS ADMINISTRATION

Capital assets

The Academy's investment in capital assets for the year ended June 30, 2010 amounts to \$25,598, net of accumulated depreciation of \$372,763. This investment in capital assets is composed of Academy's furniture and equipment, computer equipment, and leasehold improvements. A more detailed analysis is provided on page 17.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Academy student population was 487 students in 2009-2010. The Academy was positively impacted by the sharing of the campus with Smart School. The expected student population for 2010-2011 is 500. These factors were considered in preparing the Academy's budget for the fiscal year 2010-2011.

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.
(A component unit of the School Board of Broward County)
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Current Assets:	
Cash	\$ 53,565
Due from Smart School, Inc.	687,691
Prepaid expenses	13,043
Deposits	<u>1,708</u>
Total current assets	<u>756,007</u>
Non-current Assets:	
Capital assets depreciable, less accumulated depreciation	<u>25,598</u>
Total Assets	<u>781,606</u>
LIABILITIES AND NET ASSETS	
Current Liabilities:	
Accounts payable	254,735
Accrued liabilities	81,185
Due to management company	<u>211,252</u>
Total current liabilities	<u>547,172</u>
Total liabilities	<u>547,172</u>
Contingencies and Commitments (Notes 6 and 9)	
Net Assets:	
Invested in capital assets	25,598
Unrestricted	<u>208,836</u>
Total net assets	<u>\$ 234,434</u>

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
STATEMENT OF ACTIVITIES
JUNE 30, 2010

	Program Revenues			Governmental	
<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Activities</u>	
	<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Net Revenue</u>	
		<u>Contributions</u>	<u>Contributions</u>	<u>(Expense) and</u>	
				<u>Change in</u>	
				<u>Net Assets</u>	
FUNCTIONS/PROGRAMS:					
Governmental Activities:					
Instruction	\$ 1,678,708	-	\$ 211,605	\$ 306,812	\$ (1,467,103)
General administration	845,763	-	-	-	(845,763)
Operation of facility	502,091	-	-	306,812	(195,279)
Academy administration	148,433	-	-	-	(148,433)
Fiscal services	21,318	-	-	-	(21,318)
Pupil transportation services	53,152	-	-	-	(53,152)
Central services	138,287	-	-	-	(138,287)
Food service costs	90,575	-	-	-	(90,575)
Facility maintenance	128,440	-	-	-	(128,440)
Support services	640	-	-	-	(640)
Total governmental activities	\$ 3,607,407	\$ -	\$ 211,605	\$ 306,812	(3,088,990)
General revenues:					
FTE revenues					2,985,660
Grants and contributions, not restricted for specific programs					-
Other income					106,252
Total general revenues					3,091,912
Change in net assets					2,922
Net assets, July 1, 2009					231,512
Net assets, June 30, 2010					\$ 234,434

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
BALANCE SHEET - GOVERNMENTAL FUND
JUNE 30, 2010

	<u>General Fund</u>
ASSETS	
Cash	\$ 53,565
Accounts receivable	-
Due from Smart School, Inc.	687,691
Prepaid expenses	13,043
Deposits	<u>1,708</u>
Total Assets	<u>\$ 756,007</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 254,735
Accrued liabilities	81,184
Due to management company	<u>211,252</u>
Total liabilities	<u>547,171</u>
Contingencies and Commitments (Note 7)	
Fund Balance:	
Reserved for prepaid expenditures	13,043
Unreserved	<u>195,793</u>
Total fund balance	<u>208,836</u>
Total Liabilities and Fund Balance	<u>\$ 756,007</u>

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUND
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2010

Total Fund Balance - governmental fund \$ 208,836

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

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

Governmental capital assets	\$ 398,361	
Less accumulated depreciation	<u>(372,763)</u>	<u>25,598</u>

Net assets of Governmental Activities \$ 234,434

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2010

	<u>General Fund</u>
REVENUES:	
State sources	\$ 3,330,846
Local sources	106,254
Federal sources	<u>173,230</u>
Total Revenues	<u>3,610,330</u>
EXPENDITURES:	
Current:	
Instruction	1,678,708
General administration	845,763
Operation of facility	492,907
Academy administration	148,433
Pupil transportation services	53,152
Fiscal services	21,318
Central services	138,928
Food service costs	90,575
Facility maintenance	<u>128,440</u>
Total Expenditures	<u>3,598,222</u>
Net change in fund balance	12,108
Fund balance, beginning of the year	<u>196,728</u>
Fund balance, end of the year	<u><u>\$ 208,836</u></u>

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
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, 2010

Net change In fund balance, governmental fund \$ 12,108

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Less provision for depreciation (9,186)

Change in net assets of governmental activities \$ 2,922

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Organization and Operations

Lauderdale Lakes Academy, Inc., a component unit of the School Board of Broward County, Florida (the "Academy"), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The Academy commenced operations in August 2003 in the City of Lauderdale Lakes and offers classes for grade six through eight. In September 2008 the Academy expanded to include classes for grade nine through twelve. Combined enrollment of the Academy was approximately 487 students at June 30, 2010.

Note 2 - Summary of Significant Accounting Policies

Reporting entity

The Academy operates under a charter granted by the sponsoring Academy 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 Academy 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 Academy 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 Academy may also be financially accountable if an organization is fiscally dependent on the Academy 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 Academy 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 Academy is financially accountable which would require inclusion in the Academy's financial statements.

Basis of presentation

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 - Summary of Significant Accounting Policies (cont'd)

Basic financial statements - government-wide statements

The Academy's basic financial statements include both government-wide (reporting the Academy as a whole) and fund financial statements (reporting the Academy's major fund). Both the government-wide and fund financial statement categorize primary activities as either governmental or business type. All of the Academy'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 Academy's net assets are reported in three parts: invested in capital assets; restricted net assets; and unrestricted net assets.

As of June 30, 2010, all of the Academy's net assets were classified as:

Invested in capital assets	\$ 25,598
Unrestricted	<u>208,836</u>
	<u>\$ 234,434</u>

The government-wide statement of activities reports both the gross and net cost of each of the Academy'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 Academy as an entity and the change in the Academy's net assets resulting from the current year's activities.

Fund financial statements

The accounts of the Academy 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 Academy. It is a governmental fund type and is used to account for all financial transactions.

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 - Summary of Significant Accounting Policies (cont'd)

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.

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.

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 - Summary of Significant Accounting Policies (cont'd)

Fund balance (cont'd)

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 Academy 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 Academy reviews the accounts receivable balances and provides an allowance for accounts which may be uncollectible. At June 30, 2010, management considers the accounts receivable to be fully collectible within the current accounting period and no allowance for doubtful accounts is considered necessary.

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.

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 - Summary of Significant Accounting Policies (cont'd)

Compensated absences

The Academy'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, 2010.

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.

Income taxes

The Academy 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 3 - Budget

The Academy formally adopted a budget for the general fund, by function, for the year ended June 30, 2010. 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 22.

Note 4 - Deposits

The Academy'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 Academy's policy. These deposits are insured by the Federal Deposit Insurance Corporation (FDIC). The standard maximum deposit insurance amount is \$250,000 per depositor. At the year end, the carrying amount of the Academy's bank balance was \$53,565.

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 5 - Capital Assets

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

	<u>Balance</u> <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>July 1, 2010</u>
Capital assets:				
Computer equipment	\$ 271,789	\$ -	\$ -	\$ 271,789
Furniture and equipment	96,313	-	-	96,313
Leasehold improvements	<u>30,261</u>	<u>-</u>	<u>-</u>	<u>30,261</u>
	<u>398,363</u>	<u>-</u>	<u>-</u>	<u>398,363</u>
Accumulated depreciation:				
Computer equipment	(261,656)	(3,305)	-	(264,961)
Furniture and equipment	(92,566)	(2,382)	-	(94,949)
Leasehold improvements	<u>(9,357)</u>	<u>(3,497)</u>	<u>-</u>	<u>(12,855)</u>
	<u>(363,579)</u>	<u>(9,184)</u>	<u>-</u>	<u>(372,765)</u>
Net capital assets	<u>\$ 34,784</u>	<u>\$ (9,184)</u>	<u>\$ -</u>	<u>\$ 25,598</u>

Provision for depreciation for the year ended June 30, 2010, amounted to \$9,184. The Academy allocated all depreciation to the operation of the facility.

As part of the Academy'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 - Related Party Transactions

The Academy has various transactions with an affiliated nonprofit organization, Smart Schools Inc. The affiliation is due to common management and board of directors.

Smart School has provided functional management services to Lauderdale Lakes Academy since its inception. Fees of \$129,082 were charged to the Academy for fiscal 2010. Services provided are as follows:

- Lunch Program Administration – Smart School has purchased software and has sponsorship, issued by the Department of Education.
- Modular – Smart School Owns the Modular infrastructure, leases the buildings, and funded deposits.
- Sharing costs of Tech-Ed Ventures, Inc., executive assistant and services facility.
- Smart School buses – Smart School owns all vehicles and a fee is charged for usage.

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 6 - Related Party Transactions (cont'd)

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 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.

The following is a summary of related party transactions:

Amount due from Smart School, Inc. as of June 30, 2009	\$ 786,998
Payments made to Smart School, Inc.	927,200
Payments received from Smart School Inc.	(667,582)
Expenses paid by the Academy on behalf of Smart School, Inc:	
For operating expenses	228,994
For payroll & related benefits	480,808
Expenses paid by Smart School, Inc. on behalf of the Academy:	
Operating expenses	(79,034)
Payroll and related benefits	<u>(989,692)</u>
Amount due from Smart School, Inc. as of June 30, 2010	<u>\$ 687,691</u>

Management Commitment

The Academy has a management contract with Tech-Ed Ventures, Inc., which requires monthly payments of \$13,434. This management contract has not been renewed and continues on a month-to-month basis subsequent to June 30, 2010. For the year ended June 30, 2010, these fees amounted to \$161,208. For the year ended June 30, 2010 the management company forgave \$80,000 of current year fees. As of June 30, 2010, the Academy shows an amount due to management company of \$211,252. These amounts are included in accounts payable to the accompanying financial statements.

Note 7 - Contingencies and Commitments Grant Agreements

The Academy 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 Academy is not required to conduct a "single audit" since the required threshold of federal and/or state money is currently \$500,000 and the Academy did not exceed such threshold.

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 - Contingencies and Commitments Grant Agreements (cont'd)

Lease commitments

The Academy 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, 2010 was \$3,708. Costs were shared with Smart School.

Approximate minimum lease payments are approximately as follows:

<u>Year ending June 30,</u>	
2011	\$ 3,200
2012	2,700
2013	680
Thereafter	<u>-</u>
Total	<u>\$ 6,580</u>

The Academy entered into a one year facility lease agreement that requires base monthly payments of \$20,500 commencing July 1, 2009 which is now on a month to month basis. Rental expense in connection with this lease totaled approximately \$246,000 including certain shared common area maintenance charges for the year ended June 30, 2010, which was covered in part by Smart School, Inc. as they share in the occupancy of the facilities.

Note 8 - Risk Management

The Academy is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The Academy 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 9 - Subsequent Events

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

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
SCHEDULE OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL -- GENERAL FUND (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES:			
FTE revenue	\$ 3,556,125	\$ 2,985,660	\$ (570,465)
Grants and contributions	97,920	211,605	113,685
Miscellaneous	-	106,253	106,253
Capital grants	<u>410,085</u>	<u>306,812</u>	<u>(103,273)</u>
Total Revenues	<u>4,064,130</u>	<u>3,610,330</u>	<u>(453,800)</u>
EXPENDITURES:			
Current:			
Instruction	2,247,123	1,678,708	568,415
General administration	828,942	845,763	(16,821)
Operation of facility	429,000	492,907	(63,907)
School administration	223,365	148,433	74,932
Pupil transportation services	136,800	53,152	83,648
Fiscal services	38,000	21,318	16,682
Central services	117,900	138,928	(21,028)
Food service costs	-	90,575	(90,575)
Facility maintenance	<u>43,000</u>	<u>128,440</u>	<u>(85,440)</u>
Total Expenditures	<u>4,064,130</u>	<u>3,598,222</u>	<u>465,908</u>
Change in fund balance		12,108	12,108
Fund Balance, July 1, 2009	<u>196,728</u>	<u>196,728</u>	<u>-</u>
Fund Balance, June 30, 2010	<u>\$ 196,728</u>	<u>\$ 208,835</u>	<u>\$ 12,108</u>

LAUDERDALE LAKES ACADEMY, INC.
(A component unit of the School Board of Broward County)
SCHEDULE OF OBSERVATIONS AND COMMENTS
JUNE 30, 2010

Note 1 - Over Expenditure of Budget

Total expenditures were below budget by \$465,907.

Revenue was \$453,800 below budget. Overall the Lauderdale Lakes Academy was at budget level, through cost management.

Note 2 - Budgetary Level of Control

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

Note 3 - Encumbrance Accounting

The Academy does not use encumbrance accounting.

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

**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**

JUNE 30, 2010

LAUDERDALE LAKES ACADEMY
(A Component Unit of the School Board of Broward County, Florida)
MANAGEMENT LETTER COMMENTS
JUNE 30, 2010

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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 "Academy"), a component unit of the school board of Broward county, Florida, as of and for the year ended June 30, 2010, which collectively comprise the Academy's financial statements and have issued our report thereon dated September 30, 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 Academy'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 Academy's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Academy'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 Academy'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 Academy's financial statements, that is more than inconsequential, will not be prevented or detected by the Academy's internal control. We consider two of the deficiencies described in the accompanying schedule of observations and comments to be significant deficiencies in internal control over financial reporting including items 2009-1 and 2009-2.

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 Academy'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 to be a material weakness.

Compliance and other matters

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


September 30, 2010

LAUDERDALE LAKES ACEDEMY
(A Component Unit of the School Board of Broward County)
SCHEDULE OF OBSERVATIONS AND COMMENTS
JUNE 30, 2010

PRIOR YEAR OBSERVATIONS

2008-1 - COMPLIANCE FINDING - AUDITED FINANCIAL STATEMENTS

Observation

In accordance with the Academy's charter agreement with the School Board of Broward County, Florida, the Academy is required to provide the school board with annual financial statements by September 30 of each year. The Academy did not submit the audited financial statements to the School Board by September 30, 2009 or 2008.

Current Status

A similar observation was noted during the current year audit.

Management's Response

The reports were submitted to the School Board of Broward County on October 8, 2010. The next audit will be performed by the current audit firm, and will commence earlier than it did in 2010.

LAUDERDALE LAKES ACEDEMY
(A Component Unit of the School Board of Broward County)
SCHEDULE OF OBSERVATIONS AND COMMENTS
JUNE 30, 2010

PRIOR YEAR OBSERVATIONS

2009-1 - INTERNAL CONTROL FINDING – CUSTODY OF CAPITAL ASSETS

Observation

The Academy 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.

Current Status

A similar observation was noted during the current year audit.

Management's Response

Capital asset sub-ledgers will be adjusted based on a full physical inventory, which will be completed during winter break.

LAUDERDALE LAKES ACEDEMY
(A Component Unit of the School Board of Broward County)
SCHEDULE OF OBSERVATIONS AND COMMENTS
JUNE 30, 2010

PRIOR YEAR OBSERVATIONS

2009-2 - INTERNAL CONTROL FINDING - PREPARE MORE ACCURATE INTERIM FINANCIAL STATEMENTS

Observation

Based on the number of entries recorded to the Academy'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 Academy incorporate new accounting procedures and include properly trained personnel to prepare all financial information.

Current Status

We observed an improvement in the preparation of the financial information; however, a similar observation was noted during the current year audit, although the number of adjustments was significantly reduced over the previous year audit and new accounting procedures are being incorporated for the 2010-2011 school year.

Management's Response

We have converted to quick-books, which did improve the quality of interim financial information. Monthly reporting and reconciliations are being performed by an independent outside CPA. The scope of his monthly work has been extended to our internal record keeping, and procedures.



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**Management Letter in Accordance with the Rules of
the Auditor General of the State of Florida**

To the board of directors
Lauderdale Lakes Academy, Inc.
Lauderdale Lakes, Florida

We have audited the financial statements of Lauderdale Lakes Academy, Inc. (the "Academy"), a component unit of the School Board of Broward County, Florida, as of June 30, 2010, and have issued our report thereon dated September 30, 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 observations and comments. Disclosures in those reports and schedule, which are dated September 30, 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 Academy 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.

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, are presented in the accompanying Schedule of Observations and Comments on pages 3 through 5.

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, the recommendations are reported on the accompanying Schedule of Observations and Comments on pages 3 through 5.

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 pages 3 through 5.

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 Observations and Comments on page 6.

Section 10.854(1)(e)6., Rules of the Auditor General, requires the name or official title of the Academy. The official title of the Academy is Lauderdale Lakes Academy, Inc.

Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the Academy 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.

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.


September 30, 2010

