

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)
Davie, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2011

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Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc..)

3788 Davie Road
Davie, Florida 33314

2010-2011

BOARD OF DIRECTORS

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SCHOOL ADMINISTRATION

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Somerset Academy Davie Charter School
Davie, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Davie Charter School (the "School"), a charter school under Somerset Academy, Inc., which is a component unit of the District School Board of Broward County, as of, and for the year ended June 30, 2011, which collectively comprises the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Davie Charter School at June 30, 2011, and the respective changes in financial position for the year then ended. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2011 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2011September 30, 2011, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 25 through 26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2011

Management's Discussion and Analysis
Somerset Academy Davie Charter School
(A Charter School under Somerset Academy, Inc.)
June 30, 2011

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

Financial Highlights

1. The assets of the School exceeded its liabilities at June 30, 2011 by \$676,382 (net assets).
2. At year-end, the School had current assets on hand of \$679,063.
3. The School had an increase in its net assets of \$143,635 for the year ended June 30, 2011.
4. The unassigned fund balance at year end was \$627,236.

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, 2011 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

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. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 - 15 of this report.

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 16 – 24 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 \$676,382 at the close of the fiscal year. A summary of the School's net assets as of June 30, 2011 and 2010 follows:

	2011	2010
Cash	\$ 662,701	\$ 559,775
Accounts receivable	3,967	844
Due from other agencies	369	-
Prepaid expenses and other assets	12,026	8,404
Capital assets	37,120	40,212
Total Assets	<u>\$ 716,183</u>	<u>\$ 609,235</u>
Salaries payable and accrued expense	39,801	76,488
Total Liabilities	<u>\$ 39,801</u>	<u>\$ 76,488</u>
Invested in capital assets, net of related debt	37,120	40,212
Unrestricted	639,262	492,535
Total Net Assets	<u>\$ 676,382</u>	<u>\$ 532,747</u>

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2011 and June 30, 2010 follows:

	2011	2010
REVENUES		
Program Revenues:		
Federal Sources	\$ 31,954	\$ -
Capital Outlay Funding	55,712	69,175
Lunch Program	30,802	28,379
Charges for Services	86,774	64,498
General Revenues:		
FTE nonspecific revenues	942,235	921,020
Other Revenue	231	1,660
Total Revenues	<u>\$ 1,147,708</u>	<u>\$ 1,084,732</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 454,354	\$ 393,761
Instruction staff training	1,445	2,711
Instructional media services	5	-
Board	14,013	13,047
School administration	144,406	214,146
Facilities acquisition and construction	4,024	4,024
Fiscal services	21,149	21,350
Food services	23,235	24,848
Central services	26,340	25,881
Operation of plant	192,047	197,566
Community services	85,565	61,349
Maintenance of plant	37,490	25,625
Total Expenses	<u>1,004,073</u>	<u>984,308</u>
Increase in Net Assets	143,635	100,424
Net Assets at Beginning of Year	532,747	432,323
Net Assets at End of Year	<u>\$ 676,382</u>	<u>\$ 532,747</u>

Somerset Academy Davie Charter School's revenue increased by \$64,289 in the current year due to Education Jobs Fund (stimulus) funding. Expenses increased by \$19,165. The School has an increase in its net assets of \$143,635 for the year.

School Location and Lease of Facility

The School leases a facility located at 3788 Davie Road.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

Achievements

In 2011, Somerset Academy in Davie received a letter grade of A for the 3rd year in a row, ranking among the top elementary schools in Broward County. The school earned a School Recognition Award from the Florida Department of Education and met Adequate Yearly Progress under the No Child Left Behind Act. Most impressively, Somerset Davie was designated as a 2011 National Blue Ribbon School by the U.S. Secretary of Education. This award honors public and private elementary, middle and high schools whose students achieve at very high levels or have made significant progress and helped close gaps in achievement especially among disadvantaged and minority students.

This past year, Somerset students were also recognized for achievements and community support. Several students were named winners of the Science Fair and Spelling Bee, and students raised funds for various causes through events such as the Scholastic Book Fair. Students also participated in extracurricular activities, such as Journalism and Broadcasting Club, Art Club, Tae Kwon Do, Dance and Cheerleading

Somerset Academy in Davie offers residents of Broward County an excellent alternative to traditional public school education for students in kindergarten through fifth grade. The school prides itself on providing high-quality education to its students in addition to its commitment to developing strong character and civic responsibility through the Character Education- "Colts Character Counts." Somerset Academy in Davie is fully accredited by AdvancEd (formerly known as the Southern Association of Colleges and Schools (SACS).

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$639,262. The fund balance unassigned and available for spending at the School's discretion is \$627,236. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2011 amounts to \$37,120 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2011, the School had no long-term debt associated to its capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Governmental Funds		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues:			
Federal Sources	\$ 20,000	\$ 32,000	\$ 31,954
Capital Outlay Funding	71,064	56,000	55,712
Lunch Program	20,000	25,000	30,802
Charges for Services	60,000	80,000	86,774
General Revenues:			
FTE nonspecific revenues	853,050	940,000	942,235
Other Revenue	-	-	231
Total Revenues	<u>\$ 1,024,114</u>	<u>\$ 1,133,000</u>	<u>\$ 1,147,708</u>
EXPENDITURES			
Component Unit Activities:			
Instruction	435,000	452,000	444,367
Instructional staff training	1,500	2,000	1,445
Board	10,000	15,000	14,013
School Administration	140,000	150,000	144,406
Fiscal Services	20,000	25,000	21,149
Food Services	20,000	25,000	23,193
Central Services	25,000	30,000	26,340
Operation of Plant	206,064	191,000	188,903
Community Services	85,000	90,000	36,298
Maintenance of Plant	35,000	40,000	85,565
Total Current Expenditures (before capital outlay and debt service)	<u>\$ 977,564</u>	<u>\$ 1,020,000</u>	<u>\$ 985,679</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, 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Net Assets
June 30, 2011

Assets

Current assets:

Cash	\$	662,701
Accounts receivable		3,967
Prepaid expenses and other assets		12,026
Due from other agencies		369
		<u>679,063</u>

Capital assets, depreciable		146,515
Less: accumulated depreciation		(109,395)
		<u>37,120</u>

Total Assets \$ 716,183

Liabilities and Net Assets

Current liabilities:

Salaries and wages payable	\$	39,505
Accounts payable		296
Total Liabilities		<u>39,801</u>

Net assets:

Invested in capital assets, net of related debt		37,120
Unrestricted		639,262
Total Net Assets		<u>676,382</u>

Total Liabilities and Net Assets \$ 716,183

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

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2011

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	\$ 454,354	\$ -	\$ 31,954	\$ -	\$ (422,400)
Instructional media services	5	-	-	-	(5)
Instructional staff training	1,445	-	-	-	(1,445)
Board	14,013	-	-	-	(14,013)
School administration	144,406	-	-	-	(144,406)
Facilities acquisition	4,024	-	-	-	(4,024)
Fiscal services	21,149	-	-	-	(21,149)
Food services	23,235	7,092	23,710	-	7,567
Central services	26,340	-	-	-	(26,340)
Operation of plant	192,047	14,150	-	55,712	(122,185)
Maintenance of plant	37,490	-	-	-	(37,490)
Community Services	85,565	72,624	-	-	(12,941)
Total governmental activities	1,004,073	93,866	55,664	55,712	(798,831)
General revenues:					
FTE nonspecific revenues					942,235
Interest, fundraising and other revenue					231
Change in net assets					143,635
Net assets, beginning					532,747
Net assets, ending					<u>\$ 676,382</u>

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

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash	\$ 662,701	\$ -	\$ 662,701
Accounts receivable	3,967	-	3,967
Prepaid expenses	12,026	-	12,026
Due from other agencies	-	369	369
Due from funds	369	-	369
Total Assets	<u>\$ 679,063</u>	<u>\$ 369</u>	<u>\$ 679,432</u>
<u>Liabilities</u>			
Salaries and wages payable	\$ 39,505	\$ -	\$ 39,505
Accounts payable	296	-	296
Due to funds	-	369	369
Total Liabilities	<u>39,801</u>	<u>369</u>	<u>40,170</u>
<u>Fund balance</u>			
Nonspendable, not in spendable form	12,026		12,026
Unassigned	627,236	-	627,236
	<u>639,262</u>	<u>-</u>	<u>639,262</u>
Total Liabilities and Fund Balance	<u>\$ 679,063</u>	<u>\$ 369</u>	<u>\$ 679,432</u>

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

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
For the year ended June 30, 2011

Total Fund Balance - Governmental Funds \$ 639,262

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

Capital assets of \$146,515 net of accumulated depreciation of \$109,395 used in governmental activities are not financial resources and therefore are not reported in the fund.

37,120

Total Net Assets - Governmental Activities \$ 676,382

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

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

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

	General Fund	Special Revenue Fund	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 55,712	\$ 55,712
State passed through local	942,235	-	942,235
Federal sources	-	31,954	31,954
Student lunch program	-	7,092	7,092
Federal lunch program	-	23,710	23,710
Interest and other revenue	231	-	231
Charges for services	86,774	-	86,774
Total Revenues	1,029,240	118,468	1,147,708
Expenditures:			
Current			
Instruction	412,413	31,954	444,367
Instructional staff training services	1,445	-	1,445
Board	14,013	-	14,013
School administration	144,406	-	144,406
Fiscal services	21,149	-	21,149
Food services	-	23,193	23,193
Central services	26,340	-	26,340
Operation of plant	133,191	55,712	188,903
Maintenance of plant	36,298	-	36,298
Community services	85,565	-	85,565
Capital Outlay:			
Other capital outlay	15,302	-	15,302
Total Expenditures	890,122	110,859	1,000,981
Excess (deficit) of revenues over expenditures	139,118	7,609	146,727
Other financing sources			
Transfers in and (out)	7,609	(7,609)	-
Net change in fund balance	146,727	-	146,727
Fund Balance at beginning of year	492,535	-	492,535
Fund Balance at end of year	\$ 639,262	\$ -	\$ 639,262

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

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2011

Net Change in Fund Balance - Governmental Funds \$ 146,727

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 \$15,302 differed from depreciation expense of \$18,394.

(3,092)

Change in Net Assets of Governmental Activities \$ 143,635

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

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

Statement of Net Assets - Fiduciary Funds
June 30, 2011

	Agency Funds
<u>Assets</u>	
Cash	<u>\$ 35,781</u>
Total Assets	<u><u>\$ 35,781</u></u>
<u>Liabilities</u>	
Due to students and clubs	<u>\$ 35,781</u>
Total Liabilities	35,781
<u>Net assets</u>	<u><u>\$ -</u></u>

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

Note 1 – Organization and Operations

Somerset Academy Davie Charter School (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, 2013 and is renewable for additional 5 year increments 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 Davie, Florida for students from kindergarten through sixth grades and is funded by the District.

These financial statements are for the year ended June 30, 2011, when approximately 141 students were enrolled for the school year.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation

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

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not properly included with program revenues are reported as general revenues.

Note 2 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

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

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

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

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

Measurement Focus and Basis of Accounting

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

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from non-exchange transactions are reported according to GASB Codification Section 1600.111 and Section N50 *Accounting and Financial Reporting for Non-Exchange Transactions*. On the accrual basis, revenues from grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Note 2 – Summary of Significant Accounting Policies (continued)

Cash

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

Due from Other Governments or Agencies

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

Capital Assets

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

Improvements	10-15 Years
Furniture, Equipment, and Computers	5 Years
Textbooks and Software	3 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 FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made. In addition, the school receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

Note 2 – Summary of Significant Accounting Policies (continued)

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

Compensated Absences

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

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for sick days available to be used in future benefits years.

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

Income Taxes

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2011 September 30, 2011, which is the date the financial statements were available to be issued.

Note 2 – Summary of Significant Accounting Policies (continued)

Net assets and Fund balance classifications

Government-wide financial statements

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

- a) Invested in capital assets, net of related debt - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net assets - consists of net assets with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There are no restricted net assets at year end.
- c) Unrestricted net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements

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

- a) Nonspendable - fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - fund balance is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications

Note 2 – Summary of Significant Accounting Policies (continued)

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First Non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

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, 2011:

	Balance 7/1/10	Additions	Retirements	Balance 6/30/11
Capital Assets:				
Computer equipment	\$ 21,570	\$ -	\$ -	\$ 21,570
Building Improvements	48,733	-	-	48,733
Furniture, equipment and textbooks	111,605	15,302	(50,695)	76,212
Total Capital Assets	<u>181,908</u>	<u>15,302</u>	<u>(50,695)</u>	<u>146,515</u>
Less Accumulated Depreciation:				
Computer equipment	(13,023)	(3,252)	-	(16,276)
Building Improvements	(29,828)	(4,024)	-	(33,851)
Furniture, equipment and textbooks	(98,845)	(11,118)	50,695	(59,268)
Total Accumulated Depreciation	<u>(141,696)</u>	<u>(18,394)</u>	<u>50,695</u>	<u>(109,395)</u>
Capital Assets, net	<u>\$ 40,212</u>	<u>\$ (3,092)</u>	<u>\$ -</u>	<u>\$ 37,120</u>

Note 3 –Capital Assets (continued)

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

Instruction	\$	9,992
Facilities acquisition and construction		4,024
Food services		42
Operation of plant		3,144
Maintenance of plant		1,192
Total Depreciation Expense	\$	<u>18,394</u>

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 Academica Broward, LLC calls for a fee of \$450 per full time equivalent (FTE) student per year. The agreement is for a period of five years, through June 30, 2014, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2011, the School incurred approximately \$63,400 in management fees.

Academica Broward, LLC is located at 6340 Sunset Drive, Miami, Florida 33143 and its officers are:

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

Note 5 –Other Revenues

The School operates an after school program. Revenues from these programs are recorded as charges for services, under the community services function, and for 2011 were \$72,624.

Note 6 –Related Party Transactions

For 2011, Somerset Academy, Inc. (the “Corporation”) started a process for all its affiliated schools to charge an assessment for shared corporate costs and accreditation expenses. For the year ended June 30, 2011, the School paid the Corporation \$1,422 in connection with these shared costs during the year.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2011, administrative fees withheld by the School District totaled \$46,134.

Note 7 – Deposits Policy and Credit Risk

It is the School’s policy to maintain its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2011, the carrying amount of the School’s deposits was \$662,701 and the respective bank balances totaled \$688,345. Under the Dodd-Frank Act, non-interest bearing deposits at FDIC-insured institutions are fully insured through December 31, 2012. Bank balances held by the School in non-interest bearing and therefore fully insured by the FDIC as of June 30, 2011 totaled \$516,140. Amounts held in interest bearing accounts were not in excess of the standard \$250,000 FDIC coverage and therefore not subject to credit risk.

Note 8 – Commitments and Contingencies

The School entered into a lease agreement with Varsity Square, LLC for its 7,920 square feet facility. Initial fixed annual payments under this agreement (based on \$13.35 per square foot) are \$105,732 adjusted annually based on the lease agreement plus additional common area maintenance costs. The agreement continues through August 31, 2013 with the option to renew for an additional five years. For 2011, rent expense totaled 145,294, out which approximately \$144,950 related to facility lease.

Future minimum payments for the full lease (excluding common area maintenance costs) are as follows:

<u>Year</u>	
2012	\$115,553
2013	\$119,038

Note 8 – Commitments and Contingencies (continued)

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Note 9 – 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 10 – 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 \$2,677 for the year ended June 30, 2011. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by MassMutual Financial Group.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Davie Charter School
(A charter school under Somerset Academy, Inc.)

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

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 853,050	\$ 940,000	\$ 942,235
Charges for services	60,000	80,000	86,774
Interest and other revenues	-	-	231
Total Revenues	913,050	1,020,000	1,029,240
EXPENDITURES			
Current:			
Instruction	415,000	420,000	412,413
Instructional Staff			
Training Services	1,500	2,000	1,445
Board	10,000	15,000	14,013
School administration	140,000	150,000	144,406
Fiscal services	20,000	25,000	21,149
Central services	25,000	30,000	26,340
Operation of plant	135,000	135,000	133,191
Maintenance of plant	35,000	40,000	36,298
Community services	85,000	90,000	85,565
Total current expenditures	866,500	907,000	874,820
Excess of revenues			
Over current expenditures	46,550	113,000	154,420
Capital outlay:			
Other capital outlay	15,000	17,000	15,302
Total expenditures	881,500	924,000	890,122
Excess of revenues over expenditures	31,550	96,000	139,118
Other financing sources			
Transfers in	-	-	7,609
Net change in fund balance	31,550	96,000	146,727
Fund balance at beginning of year	492,535	492,535	492,535
Fund balance at end of year	<u>\$ 524,085</u>	<u>\$ 588,535</u>	<u>\$ 639,262</u>

Somerset Academy Davie Charter School
 (A charter school under Somerset Academy, Inc.)

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

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding	\$ 71,064	\$ 56,000	\$ 55,712
Federal sources	20,000	32,000	31,954
Student lunch program	5,000	5,000	7,092
Federal school lunch program	15,000	20,000	23,710
Total Revenues	111,064	113,000	118,468
EXPENDITURES			
Current:			
Instruction	20,000	32,000	31,954
Food services	20,000	25,000	23,193
Operation of plant	71,064	56,000	55,712
Total current expenditures	111,064	113,000	110,859
Excess of revenues Over current expenditures	-	-	7,609
Other financing sources			
Transfers out	-	-	(7,609)
Net change in fund balance	-	-	-
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 Davie Charter School
Davie, Florida

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy Davie Charter School (the "School") as of, and for the year ended June 30, 2011, and have issued our report thereon dated September 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

A handwritten signature in black ink that reads "HUB Gowen, CPA". The signature is written in a cursive style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2011

MANAGEMENT LETTER

Board of Directors of
Somerset Academy Davie Charter School
Davie, Florida

We have audited the accompanying basic financial statements of Somerset Academy Davie Charter School as of and for the year ended June 30, 2011 and have issued our report thereon dated September 30, 2011 September 30, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosure in those reports, which are dated September 30, 2011, should be considered in conjunction with this management letter.

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

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

Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report, as noted below under the heading "Status of Prior Year Findings and Recommendations."

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.

ML 11-01: FTE Revenue Recognition

We noted that FTE revenues are recorded net of the 5% Administrative Overhead charged by Broward County Public Schools.

Recommendation:

Although this does not impact the Schools fund balance, a better reflection of revenues and costs can be achieved by recording the revenues gross with a corresponding charge administrative fees.

ML 11-02: Summer Payroll Accrual

We noted the school has a process for estimating and recording the summer payroll accrual. However, the amount recorded as the summer payroll accrual at year end did not reflect the entire summer payroll amount. An audit adjustment was necessary to correct this.

Recommendation:

An accrual should be recorded for payroll paid during the summer but pertaining to the school year within the period of the financial statements.

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.

Status of Prior Year Findings and Recommendations

2010-01: Errors in calculation of depreciation expense: This finding was reported in the previous audit for the year ended June 30, 2010. During the current audit, we noted that the School utilized the correct lives and formulas to compute depreciation expense.

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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2011

Somerset Academy Davie Charter School

September 29, 2011

HLB Gravier, LLP
201 Alhambra Circle, Suite 901
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSES TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Board of Directors to your recommendations:

2011-01 – Recommendation

Although this does not impact the School's fund balance, a better reflection of revenues and costs can be achieved by recording the revenues gross with corresponding charge administrative fees.

Management Response

Management will follow the auditor's recommendation and record FTE revenue gross and not net of 5% administrative fee charged by Broward County Public Schools.

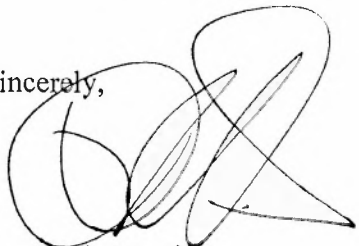
2011-02 – Recommendation

An accrual should be recorded for payroll paid during the summer but pertaining to the school year within the period of the financial statements. This accrual should be reviewed by appropriate personnel to ensure its accuracy.

Management Response

Management agrees and will follow the auditor's recommendation and implement procedures for year-end payroll accruals in order to ensure accuracy.

Sincerely,

A handwritten signature in black ink, appearing to read 'Ana Maria Martinez', with a large, stylized flourish extending to the right.

Ana Maria Martinez
Authorized Signor for Somerset Academy, Inc.