

READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
(A Component Unit of the District School Board of
Volusia County, Florida)

FINANCIAL STATEMENTS
(Audited)

Year Ended June 30, 2011

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-5
Financial Statements:	
Combined Statement of Net Assets and Governmental Funds Balance Sheets	6
Combined Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	7
Notes to Financial Statements	8-16
Combined Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds	17
Supplementary Information	
Combining Schedule of Net Assets and Governmental Funds Balance Sheets	18
Combining Schedule of Activities and Governmental Fund Revenues, Expenditures and Changes In Fund Balances	19
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual – General Fund and Special Revenue Fund	20
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21-22
Management Letter	23
Auditors' Comments – Current Year	24
Status of Prior Year Comments	24

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS
601 NORTH FERN CREEK
SUITE 200
ORLANDO, FLORIDA 32803

(407) 894-6803
(407) 896-3044 FAX

DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Reading Edge Academy, Inc.
and Samsula Academy

We have audited the accompanying combined financial statements of the governmental activities and each major fund of Reading Edge Academy, Inc. and Samsula Academy (the Schools), a component unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2011, which collectively comprise the Schools' basic financial statements as listed in the table of contents. These combined financial statements are the responsibility of the Schools' management. Our responsibility is to express opinions on these combined financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 opinions.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Reading Edge Academy, Inc. and Samsula Academy, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2011 on our consideration of the Schools' internal control over financial reporting and on our tests of their compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, including management's discussion and analysis on pages 3 through 5, and budgetary comparison information on page 17, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the combined financial statements that collectively comprise the Schools' basic financial statements. The combining schedules on pages 18-20 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining schedules have been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Orlando, FL
August 29, 2011

Holland & Reilly

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2011**

Our discussion and analysis of Reading Edge Academy, Inc.'s and Samsula Academy's (the Schools) financial performance provides an overview of the Schools' activities for the year ended June 30, 2011. Please read it in conjunction with the financial statements, which begin on page 6.

Overview of the Financial Statements

The organization-wide and fund financial statements are combined for this report, as all activities of the Schools are governmental activities. The report consists of the organization-wide and fund statements, notes to the financial statements and other supplementary information. The statements are designed to provide readers with an overview of the Schools' finances in a manner similar to a private-sector business.

The Combined Statement of Net Assets and Governmental Funds Balance Sheets presents information on all of the Schools' assets and liabilities, with the difference between the two reported as net assets, as of June 30, 2011. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Schools' financial condition is improving or deteriorating.

The Combined Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances presents information showing how the Schools' net assets changed during the most recent fiscal year. The Schools use the economic resources measurement focus and the accrual basis of accounting, whereby changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of the 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., earned but unused personal leave). Governmental activities are primarily supported by state and local sources, and charges for services.

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 Schools use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Reconciliation of the organization-wide and fund financial statements is provided in Note 2 on page 11.

Financial Highlights

- The renovation/construction project at Reading Edge Academy, Inc. which commenced in a prior fiscal year, continued with \$746,595 in expenditures.
- Reading Edge Academy, Inc. received financing of \$2.7 million for its \$3.6 million renovation construction project.
- The Schools' governmental funds had a positive fund balance of \$420,181 which represents an improvement over the prior year's deficit fund balance of (\$92,657).
- The Schools implemented Governmental Accounting Standards Board (GASB) Statement 54 which necessitated a recategorization of certain activities from the Special Revenue Fund to the General Fund, as well as changing the classification of certain components of fund balance in the governmental funds.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2011**

Financial Analysis

Government-wide Financial Statements

Net assets may serve over time as a useful indicator of the Schools' financial position. At the close of the fiscal year, assets exceeded liabilities by \$4,354,245. A substantial portion of net assets represents investment in capital assets, net of related debt, and thus is not available for future spending. The balance in unrestricted net assets was \$426,366.

GASB 34 does not allow net assets to be represented as "restricted" unless there are external legal restrictions on how they may be used. Thus, while there may be long-term management plans for unrestricted net assets, they must be shown as unrestricted until such external restrictions occur.

The following is a summary of changes in the Statement of Net Assets.

	<u>2010</u>	<u>2011</u>	<u>% change</u>
Total assets	\$ 4,685,049	\$ 5,754,467	23
Total liabilities	<u>992,984</u>	<u>1,400,222</u>	41
Net assets:			
Invested in capital assets, net of related debt	3,885,839	3,927,879	1
Unrestricted	<u>(123,729)</u>	<u>426,366</u>	(445)
	<u>\$ 3,762,110</u>	<u>\$ 4,354,245</u>	

Total assets increased by \$1,069,418, primarily due to construction and renovation of the Reading Edge facility. Total liabilities increased by \$407,238, primarily due to the issuance of a \$2.7 million loan payable, net of the pay off of prior existing debt.

The following is a summary of changes in the statement of activities:

	<u>2010</u>	<u>2011</u>	<u>% change</u>
Total expenses	\$ 2,894,328	\$ 2,914,829	1
Less program revenues	<u>169,059</u>	<u>366,426</u>	117
Net program expense	2,725,269	2,548,403	
General revenues	<u>2,797,707</u>	<u>3,140,538</u>	12
Change in net assets	<u>\$ 72,438</u>	<u>\$ 592,135</u>	

Total expenses increased only slightly (\$20,501) over the prior fiscal year. Program revenues increased by \$197,367 (117%) primarily due to bringing the school lunch program in-house rather than outsourcing. General revenues increased by \$342,831, primarily due to an increase in student enrollment resulting in an increase in FEFP funding.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2011**

Governmental Fund Financial Statements

The General Fund is the chief operating fund of the Schools. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$371,576, while the total fund balance of the Schools was \$420,181. As a measure of the general fund liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 9.7% of total General Fund expenditures.

Revenues were \$340,055 greater than expenditures in the General Fund and revenues were \$512,838 greater than expenditures for all governmental funds for the current year. In the prior year, General Fund expenditures were \$19,386 greater than General Fund revenues. This was due to the expenditures made related to the renovation/construction project for which anticipated financing was not obtained prior to the fiscal year end 2009.

General Fund and Special Revenue Fund – Budget and Actual

A comparison of budgeted and actual amounts is shown on page 17 of the financial statements. The original budget for the year ended June 30, 2011 was revised only once, in August 2011. Major changes reflected in the revised budgets were as follows. Differences between budgeted and actual amounts were primarily the result of the year-end allocation of actual expenses between departments not done for budget purposes.

Capital Assets and Debt Administration

- Capital Assets – The Schools' investment in capital assets includes land, building and improvements, and furniture and equipment. The investment in capital assets at June 30, 2011 is \$5,274,431 (net of accumulated depreciation). Current year additions include purchases of property and equipment and \$746,595 in expenditures related to the major renovation/construction project to improve and expand the existing facilities of Reading Edge Academy, Inc.
- Loans by two officers totaling \$38,014 were repaid during the current year. A \$2.7 million loan with a financial institution was used to pay off the mortgage and bridge loan from the prior year, and to fund the current year additions to the construction project.

Economic Factors and Next Year's Budget

The new addition was completed and the Certificate of Completion is dated August 11, 2011. The approved Reading Edge Academy 2011-2012 budget took into consideration the additional revenue and expenses that will be incurred with the expansion of the school. The annual budget was based on 286 students and we currently have 291 students. The Samsula Academy annual budget was based on 200 students and we currently have 200 students. We are in the process of negotiating terms for converting the present construction loan to a permanent loan with an anticipated closing date on or about October 1, 2011.

Requests for Information

This financial report is designed to provide a general overview of the Schools' finances for all those with an interest in the Schools' finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Principal, Reading Edge Academy, Inc., 2975 Enterprise Road, DeBary, Florida 32713.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
COMBINED STATEMENT OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEETS**

June 30, 2011

	<u>Governmental Funds</u>					<u>Adjust- ments</u>	<u>Statement of Net Assets</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>		
Assets:							
Cash and cash equivalents	\$ 367,963	\$ -	\$ 48,605	\$ -	\$ 416,568	\$ -	\$ 416,568
Accounts receivable	1,054				1,054		1,054
Inventory	5,388				5,388		5,388
Deposits	9,700				9,700		9,700
Loan issuance costs					-	43,326	43,326
Prepaid items	4,000				4,000		4,000
Capital assets, net of accumulated depreciation					-	5,274,431	5,274,431
Total assets	\$ 388,105	\$ -	\$ 48,605	\$ -	\$ 436,710	\$ 5,317,757	\$ 5,754,467
Liabilities:							
Accounts payable	11,757				11,757		11,757
Accrued liabilities	4,772				4,772	37,141	41,913
Notes payable:							
Current					-	28,015	28,015
Long-term					-	1,318,537	1,318,537
Total liabilities	16,529	-	-	-	16,529	1,383,693	1,400,222
Fund Balances/Net Assets:							
Fund balances:							
Committed			48,605		48,605	(48,605)	-
Unassigned	371,576				371,576	(371,576)	-
Total fund balances	371,576	-	48,605	-	420,181	(420,181)	-
Total liabilities and fund balances	\$ 388,105	\$ -	\$ 48,605	\$ -	\$ 436,710		
Net assets:							
Invested in capital assets, net of related debt						3,927,879	3,927,879
Unrestricted						426,366	426,366
Total net assets						\$ 4,354,245	\$ 4,354,245

See accompanying notes.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
COMBINED STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**
for the year ended June 30, 2011

	<u>Governmental Funds</u>					Adjust- ments	Statement of Activities
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total</u>		
Expenditures/expenses:							
Instruction - basic	\$ 1,432,323	\$ 15,703	\$ -	\$ -	\$ 1,448,026	\$ 66,300	\$ 1,514,326
Instruction - exceptional	203,385				203,385		203,385
Instructional staff training	764	58,172			58,936		58,936
General administration	28,831				28,831		28,831
School administration	319,755		900		320,655	25,353	346,008
Facilities acquisitions	40		746,595		746,635	(746,325)	310
Fiscal services	155,544				155,544	21,143	176,687
Pupil transportation services	53,731				53,731		53,731
Food services	166,016		2,612		168,628	(9,874)	158,754
Operation of plant	198,129				198,129	(6,045)	192,084
Other programs and services	133,691				133,691		133,691
Debt service:							
Principal				733,075	733,075	(733,075)	-
Interest				48,086	48,086		48,086
Debt issuance costs				43,326	43,326	(43,326)	-
Total expenditures/expenses	<u>2,692,209</u>	<u>73,875</u>	<u>750,107</u>	<u>824,487</u>	<u>4,340,678</u>	<u>(1,425,849)</u>	<u>2,914,829</u>
Program revenues:							
Charges for services	<u>366,426</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>366,426</u>		<u>366,426</u>
Net program expense							<u>2,548,403</u>
General revenues:							
Federal sources		73,875			73,875		73,875
State sources	2,657,534		171,086		2,828,620		2,828,620
Local sources	238,043				238,043		238,043
Debt proceeds				1,346,552	1,346,552	(1,346,552)	-
Transfers - internal activities	<u>(229,739)</u>		<u>751,804</u>	<u>(522,065)</u>	<u>-</u>		<u>-</u>
Total general revenues	<u>2,665,838</u>	<u>73,875</u>	<u>922,890</u>	<u>824,487</u>	<u>4,487,090</u>	<u>(1,346,552)</u>	<u>3,140,538</u>
Excess of revenues and transfers over expenditures	340,055	-	172,783	-	512,838	(512,838)	-
Change in net assets						592,135	592,135
Fund balance (deficit) /net assets:							
Beginning of year, restated	<u>31,521</u>	<u>-</u>	<u>(124,178)</u>	<u>-</u>	<u>(92,657)</u>	<u>3,854,767</u>	<u>3,762,110</u>
End of year	<u>\$ 371,576</u>	<u>\$ -</u>	<u>\$ 48,605</u>	<u>\$ -</u>	<u>\$ 420,181</u>	<u>\$ 3,934,064</u>	<u>\$ 4,354,245</u>

See accompanying notes.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies:

Reporting Entity - Reading Edge Academy, Inc. is part of the Florida system of public education under the general direction of the Florida Department of Education (Department). The School was created pursuant to Chapter 228, Florida Statutes, following approval of its charter by the district School Board of Volusia County, Florida (School Board). The School Board originally approved a three year charter effective July 1, 2001. During 2006, the School Board approved a five-year extension of the agreement through June 30, 2011. During 2011, the School Board approved another five year extension of the agreement through June 30, 2016. The charter is subject to annual review and may be terminated during the term of the charter. In the event the School is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the School Board.

The charter was amended to allow for the operation of a second school site, Samsula Academy, beginning the 2008-2009 school year. These financial statements include the activities of both schools – Reading Edge Academy, Inc. and Samsula Academy (the Schools) for the period July 1, 2010 to June 30, 2011. Commencing with the 2011-2012 school year, Samsula Academy will operate under its own charter from the School Board.

Reading Edge Academy, Inc. is a Florida not-for-profit organization that is exempt from state and federal income taxes under Internal Revenue Service Code Section 501(c)(3). Samsula Academy is not a separate legal entity and operates within the legal structure of Reading Edge Academy, Inc.

The Florida Department of Education has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools - The Red Book," issued by the Department. The Schools' charter with the School Board requires the use of the governmental reporting model and The Red Book.

As required by U.S. generally accepted accounting principles, the financial reporting entity consists of (1) the primary government, (2) organizations for which the Schools are financially accountable, and (3) other organizations for which the nature and significance of their relationship with the Schools are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Schools are financially accountable if they appoint a voting majority of the organization's governing body and (a) they are able to impose their will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the Schools. Based on these criteria, the Schools' management examined all organizations that were legally separate in order to determine which organizations, if any, should be included in the Schools' financial statements. Management determined there are no component units.

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the activities of the Schools. The effect of interfund activities has been removed from these statements. The Schools have only governmental activities and do not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for goods and services provided to participants on a voluntary basis. General revenues represent amounts received from federal, state and local sources. Fund financial statements are presented for the Schools' General, Special Revenue, Capital Projects, and Debt Service funds. All of these funds are considered to be major funds.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - continued:

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Schools consider revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the Schools' policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues.

The Schools report the following major governmental funds:

General Fund – accounts for all financial resources not required to be accounted for in another fund and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

Special Revenue Fund – accounts for the proceeds of specific revenue sources that are restricted or committed to expenditures for particular purposes other than debt service or capital projects.

Capital Projects Fund – to account for financial resources (e.g. Public Education Capital Outlay) that are restricted, committed, or assigned for expenditure for capital outlay, including acquisition or construction of major capital facilities or other capital assets.

Debt Service Fund – to account for the resources and payments made for principal and interest on the Schools' long-term debt obligations.

Budgets and Budgetary Accounting – Budgets are prepared and original budgets are adopted annually for all governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the Schools. During the fiscal year ended June 30, 2011, the Board adopted annual budgets for the General and Special Revenue funds. The School is not required to submit its budget to any regulatory agencies.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - continued:

Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each activity (e.g., instructional, school administration, and fiscal services) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand accounts, money market, and savings accounts. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance. The Schools did not have exposure to concentration of credit risk at June 30, 2011. Money market accounts are stated at fair value.

Inventory and Prepaid Items – Inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets consist of land, buildings, improvements other than building, furniture, fixtures and equipment, and construction in progress. Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined as assets with a cost of \$750 or more with a useful life of more than one year. Donated capital assets are recorded at fair market value at the date of donation. Depreciation has been provided on capital assets as a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable assets, as follows:

	<u>Years</u>
Improvements other than building	8-15
Buildings	40
Furniture and equipment	3-10

Compensated Absences – It is the Schools' policy to grant employees sick leave based upon employment agreements with the Schools. Sick leave may be used as time off or accrued up to a prescribed maximum. An employee resigning or retiring with two weeks' notice shall be paid for their credited sick leave up to the maximum allowable rate. Such leave pay shall be made in accordance with individual employment contracts. Employees who terminate prior to completion of six months' continuous service will not be paid for any accrued sick leave time.

State Revenue Sources - Revenue from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education under the provisions of Section 1011.60, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department.

The Department performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the Schools. The Schools are permitted to amend their original reporting for a period of one year following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the Schools' compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - continued:

State Revenue Sources (continued) The State provides financial assistance to administer certain categorical educational programs. Florida Department of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund.

The State allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Florida Department of Education. The School Board remits funds to the Schools on a monthly basis, at which time the Schools recognize revenues from these sources.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

Categories and Classification of Fund Balance – The Schools implemented GASB 54 during the current year. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed on the use of the resources reported in governmental funds. Fund balance classifications are Nonspendable, Restricted, Committed, Assigned and Unassigned. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. See Note 9 for further details of the various fund balance classifications.

2. Reconciliation of Government-Wide and Fund Financial Statements:

Adjustments were made to include capital assets (net of accumulated depreciation), loan issuance costs, compensated absences, and long-term liabilities on the statement of net assets. This resulted in a net difference of \$3,934,064 between ending governmental fund balances and total net assets as follows:

Ending fund balances	\$ 420,181
Capital assets, net	5,274,431
Loan issuance costs	43,326
Compensated absences	(37,141)
Notes payable	<u>(1,346,552)</u>
Total net assets	<u>\$ 4,354,245</u>

Adjustments were made to include depreciation expense, eliminate capital outlay expenditures, adjust change in compensated absences, eliminate loan issuance expenditures, and eliminate proceeds and principal payments on notes payable. This resulted in a net difference of \$79,297 between "excess of revenues and transfers over expenditures" and "change in net assets" as follows:

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

2. Reconciliation of Government-Wide and Fund Financial Statements - continued:

Excess of revenues over expenditures	\$	512,838
Add: Capital outlay expenditures		772,312
Principal payments on notes payable		733,075
Loan issuance cost expenditures		43,326
Less: Depreciation expense		(116,795)
Increase in compensated absences		(6,069)
Debt proceeds		<u>(1,346,552)</u>
Change in net assets	\$	<u><u>592,135</u></u>

3. Capital Assets:

The following is a summary of changes in capital assets during the fiscal year:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011
Capital assets not being depreciated:				
Land	\$ 703,616			703,616
Construction in progress	<u>1,371,546</u>	<u>746,595</u>		<u>2,118,141</u>
Total capital assets not being depreciated	<u>2,075,162</u>	<u>746,595</u>	<u>-</u>	<u>2,821,757</u>
Capital assets being depreciated:				
Buildings and improvements	2,908,259	6,261		2,914,520
Furniture and equipment	97,633	19,456		117,089
Vehicles	<u>2,842</u>			<u>2,842</u>
Total capital assets being depreciated	<u>3,008,734</u>	<u>25,717</u>	<u>-</u>	<u>3,034,451</u>
Less accumulated depreciation for:				
Buildings and improvements	392,108	103,139		495,247
Furniture and equipment	72,495	13,088		85,583
Vehicles	<u>379</u>	<u>568</u>		<u>947</u>
Total accumulated depreciation	<u>464,982</u>	<u>116,795</u>	<u>-</u>	<u>581,777</u>
Total capital assets being depreciated, net	<u>2,543,752</u>	<u>(91,078)</u>	<u>-</u>	<u>2,452,674</u>
Total capital assets, net	\$ <u><u>4,618,914</u></u>	<u><u>655,517</u></u>	<u><u>-</u></u>	<u><u>5,274,431</u></u>
Depreciation was charged to functions as follows:				
Instruction - basic			\$	66,726
School administration				27,073
Fiscal services				1,367
Food services				21,143
Operation of plant				486
			\$	<u><u>116,795</u></u>

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

3. Capital Assets - continued:

During the year ended June 30, 2008, Reading Edge Academy, Inc. commenced a major renovation/construction project to improve and expand its existing facilities. The School had obtained a construction loan commitment from a financial institution for \$3.6 million to fund the renovation/construction project and to pay off the existing mortgage. During the year ended June 30, 2009, the financial institution provided a bridge loan of \$150,000 before deciding it did not want to follow through on its commitment to fund the \$3.6 million loan. This year the School obtained funding, up to \$2.7 million for the ongoing renovation/construction project.

In prior years the School expended \$1,371,546 on the renovation/construction project using cash on hand and the bridge loan prior to essentially stopping the project as it was unable to find another lender. An additional \$746,595 was expended this year related to this project.

4. Long-term Obligations:

Mortgage payable - In the year 2004, Reading Edge Academy, Inc. entered into a loan agreement with a financial institution for the purpose of retiring the existing mortgages on the School's land and buildings. The aggregate principal amount of the loan was approximately \$771,000. The School was obligated to make monthly payments of \$6,500 per month with interest on the note at 6%. The note was paid off during the current year with proceeds from the construction loan – see below.

Term loan payable - In September 2008, a bridge loan of \$150,000 was taken out with another financial institution. Original terms called for monthly payments of interest at prime rate only to March 2009, and monthly payments of principal and interest (8.4%) of \$1,498 through the close date of April 2010. Loan modifications revised the monthly payments to \$2,888 for principal and interest at 7.5%, with the final payment due on or before October 8, 2015. This loan was paid off during the current year with proceeds from the construction loan – see below.

Officers' loans - During the prior year, two officers of the Schools loaned money to the Schools for normal operations. The loans, totalling \$38,014, were repaid during the year ended June 30, 2011.

Construction loan – The School entered into a \$2,700,000 construction loan payable from a financial institution dated April 27, 2011 with draws of \$1,346,552 through June 30, 2011. Terms call for interest only monthly payments through the construction period at the bank's "construction rate" plus 2% (5.25% at June 30, 2011). The loan is expected to convert into a permanent loan no later than April 12, 2012 (conversion date). At that time, monthly principal and interest payments are due with interest at the LIBOR rate plus 3.5%. In the event the conditions required for conversion to permanent loan status have not been met by the conversion date, the loan becomes due and payable in full as provided in the promissory note. The balance of the construction loan at June 30, 2011 is \$1,346,552.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

4. Long-term Obligations - continued:

The following is a summary of changes in long-term obligations during the fiscal year:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Due Within One Year
Accrued liabilities:					
Compensated absences	\$ 31,072	6,069	-	37,141	37,141
Mortgage payable	549,592	-	549,592	-	-
Term loan payable	145,469	-	145,469	-	-
Officer loans payable	38,014	-	38,014	-	-
Construction loan	-	1,346,552	-	1,346,552	28,015
	<u>\$ 764,147</u>	<u>1,352,621</u>	<u>733,075</u>	<u>1,383,693</u>	<u>65,156</u>

The following is the estimated debt service requirements on the notes payable related to the acquisition and construction of the current School facilities.

Year ending June 30,	Principal	Interest	Total
2012	\$ 28,015	56,036	84,051
2013	39,226	72,841	112,067
2014	41,480	70,587	112,067
2015	43,864	68,203	112,067
2016	46,384	65,683	112,067
Therafter	<u>1,147,583</u>	<u>561,453</u>	<u>1,709,036</u>
	<u>\$ 1,346,552</u>	<u>894,803</u>	<u>2,241,355</u>

5. Risk Management Programs:

The Schools are exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. General liability, automotive, and health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. There have been no significant reductions in insurance coverage during the year ended June 30, 2011. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

6. Related Parties:

Three Board members are also employees of the Schools. One is the Schools' principal and another is her spouse, the office administrator. A third board member, who serves as the Treasurer of the Board, is the Chief Financial Officer and oversees the renovation/construction project. His spouse is also a teacher at Reading Edge Academy, Inc.

Two officers loaned money to the School in the prior year and the loans were repaid during the year ended June 30, 2011. (See Note 4.)

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

7. Contingent Liabilities:

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the Schools expect such amounts, if any, to be immaterial.

8. Interfund Transfers:

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, and 2) move unrestricted revenue to finance various programs that the Schools must account for in other funds in accordance with budgeting authorization.

9. Implementation of New Professional Pronouncement (GASB 54):

The Schools implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions* during the year ended June 30, 2011. Fund balances have been recategorized to conform with the new standard. Also, certain activities that were previously reported in the Special Revenue Fund are now reported in the General Fund. Accordingly, beginning fund balances have been restated as follows:

	<u>General Fund</u>	<u>Revenue Fund</u>
Opening fund balance, as previously reported	\$ 9,804	\$ 21,717
Reclassify per GASB 54	<u>21,717</u>	<u>(21,717)</u>
Opening fund balance, as restated	<u>\$ 31,521</u>	<u>\$ -</u>

In accordance with GASB 54, the Schools are required to report fund balance amounts in five classifications – nonexpendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. The Schools had no nonspendable fund balance amounts at June 30, 2011.

Restricted – amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The Schools had no restricted fund balance amounts at June 30, 2011.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

9. Implementation of New Professional Pronouncement (GASB 54) - continued:

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action by the Schools' highest level of decision-making authority. The Schools' Board of Directors addresses these commitments through formal board action prior to the Schools' fiscal year end.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance amounts may be assigned by the Schools' Board of Directors and/or the Executive Committee if so delegated by the Schools' Board of Directors. The School had no assigned fund balance amounts at June 30, 2011.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The Schools use restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the Schools would first use committed, then assigned, and lastly unassigned amounts.

The Schools do not have a formal minimum fund balance policy, nor have they established any stabilization arrangements within fund balances.

10. Excess of Expenditures over Budgeted Appropriations:

Expenditures exceeded budgeted appropriations by \$211,081 in the General Fund and \$3,762 in the Special Revenue Fund.

11. Subsequent Events:

Management has evaluated events and transactions for potential recognition or disclosure through August 29, 2011, the date on which the financial statements were available to be issued.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
COMBINED SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND SPECIAL REVENUE FUND
for the year ended June 30, 2011**

	Budgeted Amounts		Actual Amounts
	Original	Final	
General Fund			
Program Revenues:			
Charges for services	\$ 336,907	\$ 317,335	\$ 366,426
General Revenues:			
State sources	2,620,800	2,620,800	2,657,534
Local sources	206,537	226,109	238,043
Transfers - external activities			87,105
Transfers - internal activities			804
Total revenues	<u>3,164,244</u>	<u>3,164,244</u>	<u>3,349,912</u>
Expenditures:			
Instruction - basic	1,545,363	1,512,161	1,432,323
Instruction - exceptional	198,036	212,158	203,385
Instructional staff training	6,184	6,184	764
General administration	50,858	27,858	28,831
School administration	292,346	309,003	319,755
Facilities acquisition	700	700	40
Fiscal services	134,282	159,982	155,544
Pupil transportation services	48,863	40,363	53,731
Food services	138,177	174,083	166,016
Operation of plant	200,264	212,322	198,129
Other program services	117,946	143,962	133,691
Transfers - external activities			87,105
Transfers - internal activities	125,546		230,543
Total expenditures	<u>2,858,565</u>	<u>2,798,776</u>	<u>3,009,857</u>
Net change in fund balance	305,679	365,468	340,055
Fund balance (deficit) at beginning of year, as restated	<u>(72,957)</u>	<u>(523,268)</u>	<u>31,521</u>
Fund balance (deficit) at end of year	<u>\$ 232,722</u>	<u>\$ (157,800)</u>	<u>\$ 371,576</u>
Special Revenue Fund			
General Revenues:			
Federal sources	<u>69,826</u>	<u>69,826</u>	<u>73,875</u>
Total revenues	<u>69,826</u>	<u>69,826</u>	<u>73,875</u>
Expenditures:			
Instruction - basic	12,642	12,642	15,703
Instructional staff training	<u>108,276</u>	<u>57,471</u>	<u>58,172</u>
Total expenditures	<u>120,918</u>	<u>70,113</u>	<u>73,875</u>
Net change in fund balance	(51,092)	(287)	-
Fund balance at beginning of year, as restated	-	-	-
Fund balance at end of year	<u>\$ (51,092)</u>	<u>\$ (287)</u>	<u>\$ -</u>

Supplementary Information

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
COMBINING SCHEDULE OF NET ASSETS AND
GOVERNMENTAL FUNDS BALANCE SHEETS**
June 30, 2011

	Reading Edge Academy, Inc.						Samsula Academy						Combined						
	Governmental Funds					Adjustments	Statement of Net Assets	Governmental Funds					Adjustments	Statement of Net Assets	Governmental Funds				
	General	Special Revenue	Capital Projects	Debt Service	Total			General	Special Revenue	Total	General	Special Revenue			Capital Projects	Total			
Assets:																			
Cash and cash equivalents	\$ 281,840	-	\$ 48,605	\$ -	\$ 330,445	-	\$ 330,445	\$ 86,123	\$ -	\$ 86,123	\$ -	\$ 86,123	\$ 367,963	-	\$ 48,605	\$ 416,568	-	\$ 416,568	
Accounts receivable	593				593		593	461		461		461	1,054			1,054		1,054	
Inventory	3,826				3,826		3,826	1,562		1,562		1,562	5,388			5,388		5,388	
Deposits	1,000				1,000		1,000	8,700		8,700		8,700	9,700			9,700		9,700	
Loan issuance costs	\$ -				\$ -	43,326	43,326	-		-		-	\$ -			\$ -	43,326	43,326	
Prepaid items	2,733				2,733		2,733	1,267		1,267		1,267	4,000			4,000		4,000	
Capital assets, net of accumulated depreciation					-	3,597,453				-	1,676,978					-	5,274,431		
Total assets	\$ 289,992	-	\$ 48,605	\$ -	\$ 338,597	\$ 3,640,779	\$ 3,979,376	\$ 98,113	\$ -	\$ 98,113	\$ 1,676,978	\$ 1,775,091	\$ 388,105	-	\$ 48,605	\$ 436,710	\$ 5,317,757	\$ 5,754,467	
Liabilities:																			
Accounts payable	\$ 5,233				5,233	3,597,453	5,233	6,524		6,524	1,676,978	6,524	\$ 11,757	-		11,757	5,274,431	11,757	
Accrued liabilities	2,314				2,314	25,399	27,713	2,458		2,458	11,742	14,200	4,772			4,772	37,141	41,913	
Notes payable:																			
Current					-	28,015	28,015			-		-				-	28,015	28,015	
Long-term					-	1,318,537				-		-				-	1,318,537	1,318,537	
Total liabilities	7,547	-	-	-	7,547	1,371,951		8,982	-	8,982	11,742	20,724	16,529	-	-	16,529	1,383,693	1,400,222	
Fund Balances/Net Assets:																			
Fund balances:																			
Committed			48,605		48,605	(48,605)	-	89,131		89,131	(89,131)	-	371,576			48,605	48,605	(48,605)	-
Unassigned	282,445				282,445	1,318,537	-	89,131		89,131	(89,131)	-	371,576			48,605	420,181	-	
Total fund balances	282,445	-	48,605	-	331,050	1,379,498	-	89,131	-	89,131	(89,131)	-	371,576	-	48,605	420,181	-	-	
Total liabilities and fund balances	\$ 289,992	-	\$ 48,605	\$ -	\$ 338,597			\$ 98,113	\$ -	\$ 98,113			\$ 388,105	-	\$ 48,605	\$ 436,710			
Net assets:	\$				(282,445)	(331,050)							\$			(371,576)	(420,181)		
Invested in capital assets, net of related debt	-					2,250,901					1,676,978						3,927,879		
Unrestricted						348,977	348,977				77,389	77,389					426,366	426,366	
Total net assets						\$ 2,599,878	\$ 2,599,878				\$ 1,754,367	\$ 1,754,367					\$ 4,354,245	\$ 4,354,245	
						2,250,901					1,676,978		371,576				3,927,879		

See accompanying notes.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
COMBINING SCHEDULE OF ACTIVITIES AND GOVERNMENTAL FUND
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
for the year ended June 30, 2011**

	Reading Edge Academy, Inc.						Samsula Academy					Combined								
	Governmental Funds						Governmental Funds					Governmental Funds								
	General	Special Revenue	Capital Projects	Debt Service	Total	Adjustments	Statement of Activities	General	Special Revenue	Total	Adjustments	Statement of Activities	General	Special Revenue	Capital Projects	Debt Service	Total	Adjustments	Statement of Activities	
Expenditures/expenses:																				
Instruction - basic	\$ 799,362	\$ 11,592	\$ -	\$ -	\$ 810,954	\$ 28,355	\$ 839,309	\$ 632,961	\$ 4,111	\$ 637,072	\$ 37,945	\$ 675,017	\$ 1,432,323	\$ 15,703	\$ -	\$ -	\$ 1,448,026	\$ 66,300	\$ 1,514,326	
Instruction - exceptional	85,968				85,968		85,968	117,417		117,417		117,417	203,385				203,385		203,385	
Instructional staff training	514	51,737			52,251		52,251	250	6,435	6,685		6,685	764	58,172			58,936		58,936	
General administration	16,660				16,660		16,660	12,171		12,171		12,171	28,831				28,831		28,831	
School administration	159,115				160,015	7,702	167,717	160,640		160,640	17,651	178,291	319,755		900		320,655	25,353	346,008	
Facilities acquisitions			746,595		746,595	(746,325)	270	40		40		40	40		746,595		746,635	(746,325)	310	
Fiscal services	121,017				121,017		121,017	34,527		34,527	21,143	55,670	155,544				155,544	21,143	176,687	
Pupil transportation services	20,501				20,501		20,501	33,230		33,230		33,230	53,731				53,731		53,731	
Food services	93,959		2,612		96,571	(1,245)	95,326	72,057		72,057	(8,629)	63,428	166,016		2,612		168,628	(9,874)	158,754	
Operation of plant	65,484				65,484		65,484	132,645		132,645	(6,045)	126,600	198,129				198,129	(6,045)	192,084	
Other programs and services	78,314				78,314		78,314	55,377		55,377		55,377	133,691				133,691		133,691	
Debt service:																				
Principal				733,075	733,075	(733,075)	-			-		-					733,075	733,075	(733,075)	
Interest				48,086	48,086		48,086			-		-					48,086	48,086	48,086	
Debt issuance costs				43,326	43,326	(43,326)	-			-		-					43,326	43,326	(43,326)	
Total expenditures/expenses	1,440,894	63,329	750,107	824,487	3,078,817	(1,487,914)		1,251,315	10,546	1,261,861	62,065	1,323,926	2,692,209	73,875	750,107	824,487	4,340,678	(1,425,849)		
Program revenues:																				
Charges for services	205,656	-	-	-	205,656		205,656	160,770		160,770		160,770	366,426	-	-	-	366,426		366,426	
Net program expense						1,590,903						1,163,156							2,914,829	
General revenues:																				
Federal sources		63,329			63,329		63,329		10,546	10,546		10,546		73,875			73,875		73,875	
State sources	1,557,632		171,086		1,728,718		1,728,718	1,099,902		1,099,902		1,099,902	2,657,534		171,086		2,828,620		2,828,620	
Local sources	135,630				135,630		135,630	102,413		102,413		102,413	238,043				238,043		238,043	
Debt proceeds				1,346,552		(1,346,552)										1,346,552		(1,346,552)		
Transfers - external activities	(87,105)				(87,105)		(87,105)	87,105		87,105		87,105					-		-	
Transfers - internal activities	(229,739)		751,804	(522,065)	-		-			-		-	(229,739)		751,804	(522,065)	-		-	
Total general revenues	1,376,418	63,329	922,890	824,487	3,187,124	(1,346,552)	1,840,572	1,289,420	10,546	1,299,966		1,299,966	2,665,838	73,875	922,890	824,487	4,487,090	(1,346,552)	3,140,538	
Excess (deficit) of revenues and transfers over expenditures	141,180	-	172,783	-	313,963	(313,963)	-	1,099,902	-	1,099,902	(198,875)	-	340,055	-	172,783	-	512,838	(512,838)	-	
Change in net assets						455,325	455,325				136,810	136,810						592,135	592,135	
Fund balance (deficit)/net assets:																				
Beginning of year, restated	141,265	-	(124,178)	-	17,087	2,127,466	2,144,553	(109,744)	-	(109,744)	1,727,301	1,617,557	31,521	-	(124,178)	-	(92,657)	3,854,767	3,762,110	
End of year	\$ 282,445	\$ -	\$ 48,605	\$ -	\$ 331,050	\$ 2,268,828	\$ 2,599,878	\$ 89,131	\$ -	\$ 89,131	\$ 1,665,236	\$ 1,754,367	\$ 371,576	\$ -	\$ 48,605	\$ -	\$ 420,181	\$ 3,934,064	\$ 4,354,245	

See accompanying notes.

**READING EDGE ACADEMY, INC.
AND SAMSULA ACADEMY
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND AND SPECIAL REVENUE FUND
for the year ended June 30, 2011**

	Reading Edge Academy, Inc.			Samsula Academy			Total		
	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts	Budgeted Amounts		Actual Amounts
	Original	Final		Original	Final		Original	Final	
General Fund									
Program Revenues:									
Charges for services	\$ 169,050	\$ 162,550	\$ 205,656	\$ 167,857	\$ 154,785	\$ 160,770	\$ 336,907	\$ 317,335	\$ 366,426
General Revenues:									
State sources	1,521,374	1,521,374	1,557,632	1,099,426	1,099,426	1,099,902	2,620,800	2,620,800	2,657,534
Local sources	113,024	119,524	135,630	93,513	106,585	102,413	206,537	226,109	238,043
Transfers - external activities			-			87,105			87,105
Transfers - internal activities			804			-			804
Total revenues	<u>1,803,448</u>	<u>1,803,448</u>	<u>1,899,722</u>	<u>1,360,796</u>	<u>1,360,796</u>	<u>1,450,190</u>	<u>3,164,244</u>	<u>3,164,244</u>	<u>3,349,912</u>
Expenditures:									
Instruction - basic	870,410	864,910	799,362	674,953	647,251	632,961	1,545,363	1,512,161	1,432,323
Instruction - exceptional	87,138	86,538	85,968	110,898	125,620	117,417	198,036	212,158	203,385
Instructional staff training	4,334	4,334	514	1,850	1,850	250	6,184	6,184	764
General administration	28,004	16,004	16,660	22,854	11,854	12,171	50,858	27,858	28,831
School administration	138,069	155,569	159,115	154,277	153,434	160,640	292,346	309,003	319,755
Facilities acquisition	700	700	-	-	-	40	700	700	40
Fiscal services	112,576	125,576	121,017	21,706	34,406	34,527	134,282	159,982	155,544
Pupil transportation services	17,500	9,000	20,501	31,363	31,363	33,230	48,863	40,363	53,731
Food services	74,852	98,762	93,959	63,325	75,321	72,057	138,177	174,083	166,016
Operation of plant	70,665	77,825	65,484	129,599	134,497	132,645	200,264	212,322	198,129
Other programs and services	69,750	84,552	78,314	48,196	59,410	55,377	117,946	143,962	133,691
Transfers - external activities			87,105			-			87,105
Transfers - internal activities	125,546		230,543			-	125,546		230,543
Total expenditures	<u>1,599,544</u>	<u>1,523,770</u>	<u>1,758,542</u>	<u>1,259,021</u>	<u>1,275,006</u>	<u>1,251,315</u>	<u>2,858,565</u>	<u>2,798,776</u>	<u>3,009,857</u>
Net change in fund balance	203,904	279,678	141,180	101,775	85,790	198,875	305,679	365,468	340,055
Fund balance (deficit) at beginning of year, restated	<u>243,680</u>	<u>(410,769)</u>	<u>141,265</u>	<u>(316,637)</u>	<u>(112,499)</u>	<u>(109,744)</u>	<u>(72,957)</u>	<u>(523,268)</u>	<u>31,521</u>
Fund balance at end of year	<u>\$ 447,584</u>	<u>\$ (131,091)</u>	<u>\$ 282,445</u>	<u>\$ (214,862)</u>	<u>\$ (26,709)</u>	<u>\$ 89,131</u>	<u>\$ 232,722</u>	<u>\$ (157,800)</u>	<u>\$ 371,576</u>
Special Revenue Fund									
General Revenues:									
Federal sources	57,799	57,799	63,329	12,027	12,027	10,546	69,826	69,826	73,875
Total revenues	<u>57,799</u>	<u>57,799</u>	<u>63,329</u>	<u>12,027</u>	<u>12,027</u>	<u>10,546</u>	<u>69,826</u>	<u>69,826</u>	<u>73,875</u>
Expenditures:									
Instruction - basic	7,072	7,072	11,592	5,570	5,570	4,111	12,642	12,642	15,703
Instructional staff training	101,817	51,012	51,737	6,459	6,459	6,435	108,276	57,471	58,172
Total expenditures	<u>108,889</u>	<u>58,084</u>	<u>63,329</u>	<u>12,029</u>	<u>12,029</u>	<u>10,546</u>	<u>120,918</u>	<u>70,113</u>	<u>73,875</u>
Net change in fund balance	(51,090)	(285)	-	(2)	(2)	-	(51,092)	(287)	-
Fund balance at beginning of year, as restated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance at end of year	<u>\$ (51,090)</u>	<u>\$ (285)</u>	<u>\$ -</u>	<u>\$ (2)</u>	<u>\$ (2)</u>	<u>\$ -</u>	<u>\$ (51,092)</u>	<u>\$ (287)</u>	<u>\$ -</u>

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS
601 NORTH FERN CREEK
SUITE 200
ORLANDO, FLORIDA 32803

(407) 894-6803
(407) 896-3044 Fax

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

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 of
Reading Edge Academy, Inc.
and Samsula Academy

We have audited the financial statements of Reading Edge Academy, Inc. and Samsula Academy (the Schools), a component unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2011, and have issued our report thereon dated August 29, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Schools' 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 Schools' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 Schools' 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 Schools' 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 Reading Edge Academy, Inc., and Samsula Academy, their management and others within the organization and the Volusia County School Board and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, Florida
August 29, 2011

Holland & Reilly

HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS
601 NORTH FERN CREEK
SUITE 200
ORLANDO, FLORIDA 32803

(407) 894-6803
(407) 896-3044 FAX

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
FLORIDA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ASSOCIATION OF
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA

THOMAS F. REILLY, CPA

To the Board of Directors of
Reading Edge Academy, Inc.
Samsula Academy

We have audited the financial statements of Reading Edge Academy, Inc. and Samsula Academy (the Schools) as of and for the year ended June 30, 2011 and have issued our report thereon dated August 29, 2011.

We conducted our audit in accordance with U.S. generally accepted auditing standards 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 on Compliance and Other Matters. Disclosures in that report, which is dated August 29, 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.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls:

- 1) violation of provisions of contracts or grant agreements or abuse, that have occurred or likely to have occurred, that have a material effect on the financial statements that is less than material but more than inconsequential;
- 2) for matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors, the following may be reported based on professional judgment:
 - a) violations of provisions of contracts or grant agreements, fraud, illegal acts or abuse,
 - b) deficiencies in internal control that are not significant deficiencies.

There were no such matters discovered by, or that came to the attention of the auditor, that, in our judgment, are required to be reported.

Based on our audit procedures performed, the Schools did not meet any of the conditions described in Florida Statutes Section 218.503(1).

The auditors applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

This management letter is intended solely for the information of Reading Edge Academy, Inc. and Samsula Academy, their management, the Volusia County School Board, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Orlando, FL
August 29, 2011

AUDITORS' COMMENTS – CURRENT YEAR

NONE

STATUS OF PRIOR YEAR COMMENTS

In the prior fiscal year, the Schools met two of the conditions described in Florida Statute Section 218.503(1). The Schools did not meet any of the conditions during the current fiscal year. Also, the deteriorating financial condition addressed in the prior fiscal year has improved significantly because the Schools received loan proceeds during the current fiscal year.