

Somerset Academy Charter Middle  
School (South Homestead)  
WL # 6013

(A Charter School under  
Somerset Academy, Inc.)

Homestead, Florida

Financial Statements and  
Independent Auditors' Report  
June 30, 2016

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Somerset Academy Charter Middle School (South Homestead)  
WL # 6013

305 NE 2<sup>nd</sup> Road  
Homestead, FL 33030

**2015-2016**

BOARD OF DIRECTORS

David Concepcion, Board Chair  
Lourdes Isla, Vice-Chair/Director  
Ana Diaz, Director, Secretary  
Todd German, Treasurer, Director  
Louis Marin, Director  
George Ozuna, Director  
Tony Morales, Student Alumni, Director  
Raul Martinez Jr, Director, Parent, Resigned April 15, 2016  
Jennifer Esquijarosa, Director

Other non-voting officers:  
Bernardo Montero, President  
Suzette Ruiz, Vice-President

SCHOOL ADMINISTRATION

Alina Lopez, Principal

## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Somerset Academy Charter Middle School (South Homestead)  
Homestead, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Charter Middle School (South Homestead) (the "School"), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2016, which collectively comprises the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Somerset Academy Charter Middle School (South Homestead) at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Charter Middle School (South Homestead) at June 30, 2016, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2016 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplementary Information**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, 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 28 through 29 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.

Coral Gables, Florida  
August 29, 2016

  
CERTIFIED PUBLIC ACCOUNTANTS

**Management's Discussion and Analysis**  
Somerset Academy Charter Middle School (South Homestead)  
(A Charter school Under Somerset Academy, Inc.)  
June 30, 2016

The corporate officers of Somerset Academy Charter Middle School (South Homestead) have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2016.

**Financial Highlights**

1. The net position of the school at June 30, 2016 by \$790,720.
2. At year-end, the School had current assets on hand of \$573,798.
3. The School had an increase in its net position of \$162,208 for the year ended June 30, 2016.
4. The unassigned fund balance at year end was \$439,815.

**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, 2016 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 Position* presents information on all of the School's assets, net outflows of resources, liabilities, and net inflows of resources. The difference is reported as *net position*. Over time increases or decreases in net position 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 position changed during the fiscal year. All changes in net position 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. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government’s requirements for near-term financing.

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

The basic governmental fund financial statements can be found on pages 11 – 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 - 27 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position 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 \$790,720 at the close of the fiscal year. A summary of the School’s net position as of June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
Cash and cash equivalents	\$ 68,065	372,052
Investments	480,000	-
Prepaid expenses	18,629	63,161
Due from other agencies	7,104	7,228
Capital assets, net	293,042	207,484
Deposits receivable	39,234	39,234
<b>Total Assets</b>	<u>906,074</u>	<u>689,159</u>
<b>Deferred outflows of resources</b>	-	-
Salaries and wages payable	97,713	57,174
Accounts payable	17,641	3,473
<b>Total Liabilities</b>	<u>115,354</u>	<u>60,647</u>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets and long term receivable	332,276	246,718
Unrestricted	458,444	381,794
<b>Total Net Position</b>	<u>\$ 790,720</u>	<u>\$ 628,512</u>

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Program Revenues		
Operating Grants and Contributions	\$ 41,134	34,690
Capital Outlay Funding	75,358	73,585
Lunch Program	175,797	94,075
General Revenues		
Local Sources (FTE non specific)	2,294,277	1,334,204
Change for services and othe revenues	2,470	51,938
<b>Total Revenues</b>	<u>\$ 2,589,036</u>	<u>\$ 1,588,492</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 1,093,130	\$ 667,796
Instructional staff training	7,735	4,522
Board	45,350	16,275
School administration	291,899	297,503
Facilities acquisition	947	1,854
Fiscal services	56,025	33,075
Food services	217,051	99,867
Central services	72,859	47,075
Operation of plant	615,467	251,800
Maintenance of plant	26,365	33,265
<b>Total Expenses</b>	<u>2,426,828</u>	<u>1,453,032</u>
Increase in Net Position	162,208	135,460
Net Position at Beginning of Year	628,512	493,052
Net Position at End of Year	<u>\$ 790,720</u>	<u>\$ 628,512</u>

The School's revenue and expenses increased by \$1,000,544 and \$973,796 as a result of an increase in enrollment. The School had an increase in its net position of \$162,208 for the year.

#### **School Location and Lease of Facility**

The School leases a facility located at 305 NE 2<sup>nd</sup> Road, Homestead, FL 33030.

#### **Capital Improvement Requirements**

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

#### **School Enrollment**

The School had approximately 374 students enrolled in grades sixth through eighth.

### **Accomplishments**

In 2016, Somerset Academy Middle School South Homestead (Somerset Middle SoHo) completed its 8th year of operation, enrolling 374 students in grades 6-8. The school moved to a new state-of-the-art facility, and greatly increased their enrollment from the previous year.

As a member of the Somerset Academy network of high quality charter schools, Somerset Middle SoHo is fully accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division. It is one of only a few public middle schools in Miami-Dade County to be fully accredited by AdvancEd. As with all the schools within the network, Somerset Middle SoHo places high expectations for student learning and offers multiple opportunities for all students to acquire requisite knowledge, skills, and attitudes in a safe and enriching environment. Key to achieving successful learning for all students is the school's implementation of research-based instructional strategies by a highly qualified instructional staff, and the use of innovative resources in a technology-rich setting.

In addition, Somerset SoHo offers a high quality extra-curricular program of activities and is a member of the Early Learning Coalition, the National Honor Society, and the National Junior Honor Society.

### **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 \$458,444. The fund balance unassigned and available for spending at the School's discretion is \$439,815. 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, 2016 amounts to \$293,042 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures and computer equipment. As of June 30, 2016, the School had no long term debt relating to capital assets.

## Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 79,550	\$ 76,000	\$ 75,358
Federal sources	48,436	48,436	41,134
Lunch program	140,000	175,000	175,797
General Revenues			
FTE nonspecific revenues	2,281,500	2,290,000	2,294,277
Other revenue	-	2,000	2,470
Total Revenues	<u>\$ 2,549,486</u>	<u>\$ 2,591,436</u>	<u>\$ 2,589,036</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	\$ 1,201,216	\$ 1,038,436	\$ 1,024,052
Instructional staff training	5,000	8,000	7,735
Board	5,700	50,000	45,350
School administration	327,628	295,000	291,899
Fiscal services	55,500	56,025	56,025
Food services	217,039	218,039	217,051
Central services	70,500	74,000	72,859
Operation of plant	607,410	606,000	603,433
Maintenance of plant	30,000	30,000	26,365

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

### 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 Dade, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy Charter Middle School (South Homestead)  
 (A charter school under Somerset Academy, Inc.)

Statement of Net Position  
 June 30, 2016

<u>Assets</u>	<u>Governmental Activites</u>
Current assets:	
Cash and cash equivalents	\$ 68,065
Investments	480,000
Due from other agencies	7,104
Prepaid expenses	<u>18,629</u>
	573,798
Deposits receivable	39,234
Capital assets, depreciable	768,231
Less: accumulated depreciation	<u>(475,189)</u>
	<u>293,042</u>
Total Assets	<u>906,074</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	97,713
Accounts payable	<u>17,641</u>
Total Liabilities	115,354
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets and long term receivable	332,276
Unrestricted	<u>458,444</u>
Total Net Position	<u>\$ 790,720</u>

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

Somerset Academy Charter Middle School (South Homestead)  
(A charter school under Somerset Academy, Inc.)

Statement of Activities  
For the year ended June 30, 2016

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 1,093,130	\$ -	\$ 41,134	\$ -	\$ (1,051,996)
Instructional staff training	7,735	-	-	-	(7,735)
Board	45,350	-	-	-	(45,350)
School administration	291,899	-	-	-	(291,899)
Facilities acquisition	947	-	-	-	(947)
Fiscal services	56,025	-	-	-	(56,025)
Food services	217,051	10,042	165,755	-	(41,254)
Central services	72,859	-	-	-	(72,859)
Operation of plant	615,467	1,852	-	75,358	(538,257)
Maintenance of plant	26,365	-	-	-	(26,365)
<b>Total governmental activities</b>	<b>2,426,828</b>	<b>11,894</b>	<b>206,889</b>	<b>75,358</b>	<b>(2,132,687)</b>
General revenues:					
FTE nonspecific revenues					2,294,277
Interest and other revenue					618
Change in net position					162,208
Net position, beginning					628,512
Net position, ending					<u>\$ 790,720</u>

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

Somerset Academy Charter Middle School (South Homestead)  
 (A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds  
 June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 68,065	\$ -	\$ 68,065
Investments	480,000	-	480,000
Due from other agencies	-	7,104	7,104
Due from fund	7,104	-	7,104
Prepaid expenses	18,629	-	18,629
Total Assets	<u>573,798</u>	<u>7,104</u>	<u>580,902</u>
<b><u>Deferred Outflows of Resources</u></b>			
	-	-	-
<b><u>Liabilities</u></b>			
Salaries and wages payable	97,713	-	97,713
Due to fund	-	7,104	7,104
Accounts payable	17,641	-	17,641
Total Liabilities	<u>115,354</u>	<u>7,104</u>	<u>122,458</u>
<b><u>Deferred Inflows of Resources</u></b>			
	-	-	-
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	18,629	-	18,629
Unassigned	439,815	-	439,815
	<u>458,444</u>	<u>-</u>	<u>458,444</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 573,798</u>	<u>\$ 7,104</u>	<u>\$ 580,902</u>

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

Somerset Academy Charter Middle School (South Homestead)  
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
For the year ended June 30, 2016

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Total Fund Balance - Governmental Funds \$ 458,444

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

Capital assets of \$768,231 net of accumulated depreciation of \$475,189 used in governmental activities are not financial resources and therefore are not reported in the fund. 293,042

Deposit receivable of \$39,234 is considered long term and not a financial resources and therefore not reported in the governmental funds.

39,234

Total Net Position - Governmental Activities \$ 790,720

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

Somerset Academy Charter Middle School (South Homestead)  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2016

	General Fund	Special Revenue Fund	Total Governmental Funds
<b>Revenues:</b>			
State capital outlay funding	\$ -	\$ 75,358	\$ 75,358
State passed through local	2,294,277	-	2,294,277
Federal sources	-	41,134	41,134
Lunch program	-	175,797	175,797
Other revenue	2,470	-	2,470
Total Revenues	<u>2,296,747</u>	<u>292,289</u>	<u>2,589,036</u>
<b>Expenditures:</b>			
<b>Current</b>			
Instruction	982,736	41,316	1,024,052
Board	45,350	-	45,350
Instructional staff training	7,735	-	7,735
School administration	291,899	-	291,899
Fiscal services	56,025	-	56,025
Food services	-	217,051	217,051
Central services	72,859	-	72,859
Operation of plant	528,075	75,358	603,433
Maintenance of plant	26,365	-	26,365
<b>Capital Outlay:</b>			
Other capital outlay	167,617	-	167,617
Total Expenditures	<u>2,178,661</u>	<u>333,725</u>	<u>2,512,386</u>
Excess (deficit) of revenues over expenditures	118,086	(41,436)	76,650
<b>Other financing sources (uses)</b>			
Transfers in (out)	(41,436)	41,436	-
Net change in fund balance	76,650	-	76,650
Fund Balance at beginning of year	381,794	-	381,794
Fund Balance at end of year	<u>\$ 458,444</u>	<u>\$ -</u>	<u>\$ 458,444</u>

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

Somerset Academy Charter Middle School (South Homestead)  
(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, 2016

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Net Change in Fund Balance - Governmental Funds \$ 76,650

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 \$167,617 differed from depreciation expense of \$82,059.

85,558

Change in Net Position of Governmental Activities \$ 162,208

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

Somerset Academy Charter Middle School (South Homestead)  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position - Fiduciary Funds  
June 30, 2016

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**Assets**

Cash	\$ 12,823
	<hr/>
Total Assets	12,823
	<hr/>

**Deferred Outflows of Resources**

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-

**Liabilities**

Due to students and clubs	12,823
	<hr/>
Total Liabilities	12,823

**Deferred Inflows of Resources**

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-

**Net Position**

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\$ -

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

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies**

Reporting Entity

Somerset Academy Charter Middle School (South Homestead) (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The School's charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of nine members and also governs other charter schools. The board of directors has determined that no component units exists that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2018 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Homestead, Florida for students from sixth through eighth grades and is funded by the District. These financial statements are for the year ended June 30, 2016, when approximately 374 students were enrolled for the school year.

Basis of Presentation

The School's accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies (continued)**

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Government-wide and Fund Financial Statements

*Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements 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, such as food service and student activity 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 included with program revenues are reported as general revenues.

*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, deferred outflows of resources, liabilities, deferred inflows of resources, 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*.

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, 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 liabilities of the current period. 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. Charges for services and fees are recognized when cash is collected as amounts are not measurable. 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.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal investment policy; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB No. 72 *Fair Value Measurement and Application* (see Note 2).

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 1 – Summary of Significant Accounting Policies (continued)**

Inter-fund Transfers

Outstanding balances between funds are reported as “due to/from” other funds. Inter-fund transfers are made to move any excess or shortage of National School Lunch Program funds from the Special Revenue Fund to the General Fund.

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 position 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 a 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	5-7 Years
Furniture and Equipment	5 Years
Textbooks and Software	3 Years

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to receive one day per month 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. Employees may “cash out” unused sick days, however, 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 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 compensated absences available to be used in future benefits years.

**Note 1 – Summary of Significant Accounting Policies (continued)**

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.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Revenue Sources

Revenues for current operations are received primarily from the state through 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 reports 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 state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities.

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.

## **Note 1 – Summary of Significant Accounting Policies (continued)**

### Net Position and Fund Balance Classifications

#### *Government-wide financial statements*

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets and long term receivables - consists of capital assets net of accumulated depreciation and long term receivables reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of balances with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other balances that do not meet the definition of "restricted" or "net investment in capital assets and long term debt."

#### *Fund financial statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 listed below:

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of 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).
- b) Restricted – this classification includes fund balance category 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 that is 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 – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 1 – 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.

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 August 29, 2016, which is the date the financial statements were available to be issued.

**Note 2 – Cash, Cash Equivalents and Investments**

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2016, the School's deposits consisted of cash balances of \$115,101.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2016, bank balances in potential excess of FDIC coverage was approximately \$173,000; including fiduciary account bank balances.

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 2 – Cash, Cash Equivalents and Investments (continued)**

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs. At June 30, 2016, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$580,000 valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of January 1, 2016, the fund's annual report, maturities of the fund's portfolio holdings are approximately 83% within 30 days.

Credit Risk

*Concentration of credit risk* is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2016, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

*Interest rate risk* is the risk that changes in interest rate will adversely affect the fair value of an investment. The School manages its exposure to declines in fair values by limiting all investments to government money market mutual funds that can be redeemed daily.

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

**Note 3 – Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2016:

	Balance 07/01/15	Additions	Retirements	Balance 06/30/16
Capital Assets:				
Improvements	\$ 20,411	\$ 24,135	\$ -	\$ 44,546
Furniture, equipment and textbooks	580,203	143,482	-	723,685
Total Capital Assets	<u>\$ 600,614</u>	<u>\$ 167,617</u>	<u>\$ -</u>	<u>\$ 768,231</u>
Less Accumulated Depreciation:				
Improvements	(17,529)	(4,884)	-	(22,413)
Furniture, equipment and textbooks	(375,601)	(77,175)	-	(452,776)
	<u>(393,130)</u>	<u>(82,059)</u>	<u>-</u>	<u>(475,189)</u>
Capital Assets, net	<u>\$ 207,484</u>	<u>\$ 85,558</u>	<u>\$ -</u>	<u>\$ 293,042</u>

For the fiscal year ended June 30, 2016, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 69,078
Facilities acquisition	947
Operation of plant	12,034
Total Depreciation Expense	<u>\$ 82,059</u>

**Note 4 – Education Service and Support Provider**

Academica Dade, LLC, an education service and support provider, offers 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 and virtual education services. The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2016, the School incurred approximately \$168,000, in fees.

Academica Dade, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

**Somerset Academy Charter Middle School (South Homestead)**

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2016

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**Note 5 – Transactions With Other Divisions of Somerset Academy, Inc.**

The School's facility is shared with Somerset Academy High School (South Homestead) (a charter school under Somerset Academy, Inc.). Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies and other expenses to each school individually based on student enrollment and usage of facilities and staff. Also, revenues and expenses related to the lunch program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

Somerset Academy, Inc. charges all its affiliated schools an assessment for shared corporate and accreditation expenses. Somerset Academy Charter Middle School (South Homestead) paid Somerset Academy, Inc. approximately \$37,400 in connection with these charges during the year.

**Note 6 – Commitments, Contingencies and Concentrations**

On December 31, 2014, the School entered into a lease and security agreement with Soho School Development, LLC for its 58,572 square feet building including all ancillary facilities, outdoor areas and other improvements, the initial term commencing on the occupancy date no sooner than July 30, 2015 and ending on July 31, 2035, with an option to renew for three additional periods of five-year term. The Landlord is an affiliate of the School's educational service and support provider (See Note 4).

This facility is shared with Somerset Academy Charter High School (a charter school under Somerset Academy, Inc.). Initial fixed annual payments under this agreement (based on \$19.35 per square foot) or approximately \$1,133,368 adjusted annually based on the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance, the Landlord granted an enrollment period discounts through July 31, 2018 to be netted against fixed rent. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00 and maintaining a reserve for property expenses such as repairs, maintenance, taxes or insurance.

Lease payments are allocated among the two schools based on enrollment and usage of facility. The allocation used for 2016, was approximately 68% for the School and 32% for Somerset Academy Charter High School (South Homestead). For 2016, rent expense related to the facility lease including common area maintenance charges totaled \$496,664.

**Note 6 – Commitments, Contingencies and Concentrations (continued)**

Future minimum payments for the full lease, net of enrollment period discounts, to be shared with Somerset Academy Charter High School (South Homestead) are as follows:

<u>Year</u>			
2017	\$	927,369	
2018	\$	1,082,390	
2019	\$	1,202,390	
2020	\$	1,202,390	
2021	\$	1,202,390	
2022-2026	\$	6,011,951	(total for five-year period)
2027-2031	\$	6,011,951	(total for five-year period)
2032-2035	\$	4,809,560	(total thereafter)

Contingencies and Concentrations

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 receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, 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.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of up to 5% of the qualifying revenues of the School. For the year ended June 30, 2016, administrative fees withheld by the School District totaled \$30,828.

**Note 7 – 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 8 – Defined Contribution Retirement Plan**

The School's personnel, who 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 School will provide a match of up to 4% of employee compensation. The School contributed to the Plan \$6,013 for the year ended June 30, 2016. 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 Charter Middle School (South Homestead)  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2016

	General Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State passed through local	\$ 2,281,500	\$ 2,290,000	\$ 2,294,277
Other revenue	-	2,000	2,470
Total Revenues	<u>2,281,500</u>	<u>2,292,000</u>	<u>2,296,747</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	1,152,780	990,000	982,736
Board	5,700	50,000	45,350
Instructional staff training	5,000	8,000	7,735
School administration	327,628	295,000	291,899
Facilities acquisition	-	-	-
Fiscal services	55,500	56,025	56,025
Food Services	-	-	-
Central Services	70,500	74,000	72,859
Operation of Plant	527,860	530,000	528,075
Maintenance of Plant	30,000	30,000	26,365
Total Current Expenditures	<u>2,174,968</u>	<u>2,033,025</u>	<u>2,011,044</u>
Excess of Revenues			
Over Current Expenditures	<u>106,532</u>	<u>258,975</u>	<u>285,703</u>
Capital Outlay	<u>400,000</u>	<u>200,000</u>	<u>167,617</u>
Total Expenditures	<u>2,574,968</u>	<u>2,233,025</u>	<u>2,178,661</u>
Excess of Revenues Over Expenditures	(293,468)	58,975	118,086
Other financing sources (uses):			
Transfers in (out)	(77,039)	(43,039)	(41,436)
Payment of long term deposit	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(370,507)	15,936	76,650
Fund Balance at beginning of year	<u>381,794</u>	<u>381,794</u>	<u>381,794</u>
Fund Balance at end of year	<u>\$ 11,287</u>	<u>\$ 397,730</u>	<u>\$ 458,444</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Somerset Academy Charter Middle School (South Homestead)  
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2016

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
State capital outlay funding	\$ 79,550	\$ 76,000	\$ 75,358
Federal sources	48,436	48,436	41,134
Lunch program	140,000	175,000	175,797
Total Revenues	<u>267,986</u>	<u>299,436</u>	<u>292,289</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	48,436	48,436	41,316
Food services	217,039	218,039	217,051
Operation of Plant	79,550	76,000	75,358
Total Current Expenditures	<u>345,025</u>	<u>342,475</u>	<u>333,725</u>
Excess of Revenues Over Current Expenditures	<u>(77,039)</u>	<u>(43,039)</u>	<u>(41,436)</u>
Capital Outlay	-	-	-
Total Expenditures	<u>345,025</u>	<u>342,475</u>	<u>333,725</u>
Excess of Revenues Over Expenditures	(77,039)	(43,039)	(41,436)
Other financing sources (uses)			
Transfers in (out)	<u>77,039</u>	<u>43,039</u>	<u>41,436</u>
Net change in fund balance	-	-	-
Fund Balance at beginning of year	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

INDEPENDENT AUDITOR'S 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*

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Board of Directors of  
Somerset Academy Charter Middle School (South Homestead)  
Homestead, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities and each major fund of Somerset Academy Charter Middle School (South Homestead) (the "School") as of, and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 29, 2016.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## MANAGEMENT LETTER

Board of Directors of  
Somerset Academy Charter Middle School (South Homestead)  
Homestead, Florida

### **Report on the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy Charter Middle School (South Homestead) as of and for the year ended June 30, 2016 and have issued our report thereon dated August 29, 2016.

### **Auditor's Responsibility**

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, and Chapter 10.850, Rules of the Auditor General.

### **Other Reports and Schedules**

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosure in those reports, which are dated August 29, 2016, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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. There were no such findings or recommendations made in the preceding annual financial audit report.

### **Official Title**

Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Somerset Academy Charter Middle School (South Homestead).

## **Financial Condition**

Sections 10.854(1)(e)2, Rules of the Auditor General, requires that we report the results of our determination as to whether or not Somerset Academy Charter Middle School (South Homestead) has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Somerset Academy Charter Middle School (South Homestead) did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for Somerset Academy Charter Middle School (South Homestead). It is management's responsibility to monitor Somerset Academy Charter Middle School (South Homestead) 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 as of the fiscal year end and no deteriorating financial condition has been noted.

## **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether Somerset Academy Charter Middle School (South Homestead) maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Somerset Academy Charter Middle School (South Homestead) maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

## **Other Matters**

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of Dade County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Coral Gables, Florida  
August 29, 2016

*H2B Gravel LLP*  
CERTIFIED PUBLIC ACCOUNTANTS