


**Somerset Academy Bay**  
**WL# 5062**   
(A Charter School under Somerset Academy, Inc.)

Miami, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2016

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Somerset Academy Bay  
(A charter school under Somerset Academy, Inc.)  
W/L# 5062  
9500 SW 97<sup>th</sup> Avenue  
Miami, Florida 33176

2015-2016

BOARD OF DIRECTORS

David Concepcion, Board Chair  
Lourdes Isla, Director and Vice - Chair  
Ana Diaz, Director  
Todd German, Director, Treasurer  
Louis Marin, Director  
George Ozuna, Director  
Tony Morales, Director, Student Alumni  
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

Saili Hernandez, Principal

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Somerset Academy Bay  
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Bay (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 Bay 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 Bay 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.

*HLB GRUBER, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 29, 2016

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

The corporate officers of Somerset Bay Academy have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2016.

**Financial Highlights**

1. The net position of the School at June 30, 2016 was \$159,219.
2. At year-end, the School had current assets on hand of \$471,227.
3. The School had an increase in its net position of \$30,576 for the year ended June 30, 2016.
4. The unassigned fund balance at year end was \$353,408.

**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, deferred outflows of resources, liabilities and deferred 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, net position was \$ 159,219 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	\$ 332,378	\$ 349,591
Investments	90,000	-
Prepaid expenses	27,848	26,875
Due from other agencies	2,659	6,477
Due from other charter schools, current	18,342	-
Due from other divisions of Somerset Academy Inc., long-term	168,750	170,376
Deposits	1,626	-
Due from other charter schools, long-term	-	15,000
Capital assets, net	<u>172,706</u>	<u>227,401</u>
<b>Total Assets</b>	<u>814,309</u>	<u>795,720</u>
<b>Deferred outflows of resources</b>	-	-
Accounts payable and accrued liabilities	89,971	101,958
Due to other charter schools, long-term	<u>565,119</u>	<u>565,119</u>
<b>Total Liabilities</b>	<u>655,090</u>	<u>667,077</u>
<b>Deferred inflows of resources</b>	-	-
<b>Net Position:</b>		
Net investment in capital assets and long-term receivables	-	-
Unrestricted	<u>159,219</u>	<u>128,643</u>
<b>Total Net Position</b>	<u>\$ 159,219</u>	<u>\$ 128,643</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 year ended June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
Program Revenues		
Operating Grants and Contributions	\$ -	\$ 168,065
Capital Outlay Funding	32,411	72,235
Lunch Program	37,793	28,052
Charges for Services	1,427	15,000
General Revenues		
Local Sources(FTE non specific)	1,639,992	1,712,706
Other Revenues	469,172	207,601
<b>Total Revenues</b>	<u>\$ 2,180,795</u>	<u>\$ 2,203,659</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 1,166,972	\$ 1,129,611
Instructional staff training	4,521	4,073
Board	36,089	21,956
School administration	355,119	348,612
Facilities acquisition	-	2,670
Fiscal services	34,650	37,125
Food services	55,910	72,723
Central services	43,765	45,851
Operation of plant	415,675	439,303
Maintenance of plant	37,518	38,842
Community Services	-	40,738
<b>Total Expenses</b>	<u>2,150,219</u>	<u>2,181,504</u>
Increase in Net Position	30,576	22,155
Net Position at Beginning of Year	128,643	106,488
Net Position at End of Year	<u>\$ 159,219</u>	<u>\$ 128,643</u>

Student enrollment decreased for 2016 by approximately 17 students. As a result, The School's revenues and expenses decreased by \$22,864 and \$31,285, respectively, in the current year. The School had an increase in its net position of \$30,576 for the year.

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

The School leases a facility located at 9500 SW 97<sup>th</sup> Avenue, Miami, FL 33176

### **Capital Improvement Requirements**

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

### **School Enrollment**

This past year, the School had approximately 231 students enrolled in grades kindergarten through eighth.



## **Achievements**

In 2016, Somerset Academy Bay completed its 3rd year of operation, serving 231 students in grades K-5. The School earning a letter grade of "A," and ranked among the top public elementary schools in Miami-Dade County.

This past year, Somerset Academy Bay students were recognized for various academic and extracurricular achievements: They participated in the Somerset Reading Challenge, Somerset Spelling Bee, and Vocabulary Parade. Students also participated in school-based productions, such as the Holiday Show, Somerset Math Bowl, SoBay's Dr. Seuss Celebration Week, SoBay Harvest Festival, Battle of the Books, and the Multicultural Day Performance.

Being helpful to others is important to students at Somerset Academy Bay. Throughout the year, students demonstrated the significance of giving back to their community by participating in and contributing to causes such as iPads for Soldiers, the Feed Miami food drive, and Toys for Tots toy drive. Students and parents also gave back to their school by participating in school-based fundraisers such as the Scholastic Book Fair, SoBay's Parent Social "Cooking it Up," SoBay Gallery Night, and World's Finest Chocolate Sale.

As a member of the Somerset Academy network of charter schools, Somerset Academy Bay 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 elementary schools in Miami-Dade County to be fully accredited by AdvancEd. As with all the schools within its network, Somerset Academy Bay 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.

With the steadfast support of the many families who want Somerset Academy Bay to expand, the School is actively working on obtaining approval to increase enrollment at its campus so that it may serve more families in the community.

## **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 \$381,256. The fund balance unassigned and available for spending at the School's discretion is \$353,408. 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 \$172,706 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment.

**Governmental Fund Budget Analysis and Highlights**

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for 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	\$ 46,778	\$ 32,500	\$ 32,411
Federal sources	25,000	26,000	20,816
Lunch program	25,000	21,000	16,977
General Revenues			
FTE nonspecific revenues	1,630,530	1,640,000	1,639,992
Charges and other revenues	482,500	465,000	470,599
Total Revenues	<u>2,209,808</u>	<u>2,184,500</u>	<u>2,180,795</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	1,089,159	1,100,000	1,098,611
Instructional staff training	5,000	5,000	4,521
Board	63,250	37,000	36,089
School administration	360,000	360,000	355,119
Fiscal services	37,125	35,000	34,650
Food services	71,602	72,000	55,910
Central services	51,125	45,000	43,765
Operation of plant	405,001	405,800	403,795
Maintenance of plant	37,960	37,960	37,518
Total Current Expenditures	<u>\$ 2,120,222</u>	<u>\$ 2,097,760</u>	<u>\$ 2,069,978</u>

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 Bay  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position  
June 30, 2016

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 332,378
Investments	90,000
Prepaid expenses	27,848
Due from other agencies	2,659
Due from other charter schools, current	18,342
Total current assets	<u>471,227</u>
Capital assets, non-depreciable	3,092
Capital assets, depreciable	351,133
Less: accumulated depreciation	<u>(181,519)</u>
	172,706
Due from other divisions of Somerset Academy Inc., long-term	168,750
Deposits	<u>1,626</u>
Total Assets	<u>\$ 814,309</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	<u>\$ 89,971</u>
Total current liabilities	89,971
Due to other charter schools, long-term	<u>565,119</u>
Total liabilities	<u>\$ 655,090</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets and long-term receivables	-
Unrestricted	<u>159,219</u>
Total Net Position	<u>\$ 159,219</u>

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

Somerset Academy Bay  
(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	\$ 1,166,972	\$ -	\$ -	\$ -	\$ (1,166,972)
Instructional staff training	4,521	-	-	-	(4,521)
Board	36,089	-	-	-	(36,089)
School administration	355,119	-	-	-	(355,119)
Fiscal services	34,650	-	-	-	(34,650)
Food services	55,910	16,977	20,816	-	(18,117)
Central services	43,765	-	-	-	(43,765)
Operation of plant	415,675	-	-	32,411	(383,264)
Maintenance of plant	37,518	-	-	-	(37,518)
Community Services	-	1,427	-	-	1,427
<b>Total governmental activities</b>	<b>2,150,219</b>	<b>18,404</b>	<b>20,816</b>	<b>32,411</b>	<b>(2,078,588)</b>
General revenues:					
FTE nonspecific revenues					1,639,992
Interest and other revenue					469,172
Change in net position					30,576
Net position, beginning					128,643
Net position, ending					\$ 159,219

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

Somerset Academy Bay  
(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	\$ 332,378	\$ -	\$ 332,378
Investments	90,000	-	90,000
Due from other agencies	-	2,659	2,659
Due from fund	2,659	-	2,659
Due from other charter schools, current	18,342	-	18,342
Prepaid expenses	27,848	-	27,848
Total Assets	471,227	2,659	473,886
<b><u>Deferred Outflows of Resources</u></b>			
	-	-	-
<b><u>Liabilities</u></b>			
Salaries and wages payable	89,971	-	89,971
Due to fund	-	2,659	2,659
Total Liabilities	89,971	2,659	92,630
<b><u>Deferred Inflows of Resources</u></b>			
	-	-	-
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	27,848	-	27,848
Unassigned	353,408	-	353,408
	381,256	-	381,256
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 471,227	\$ 2,659	\$ 473,886

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

Somerset Academy Bay  
(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 \$ 381,256

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

Capital assets of \$354,225 net of accumulated depreciation of \$181,519 used in governmental activities are not financial resources and therefore are not reported in the fund. 172,706

Non-current assets are not recoverable in the current period and therefore, are not reported in the fund. 170,376

Long term liabilities were not due and payable in the current period and, therefore, are not reported in the fund. (565,119)

Total Net Position - Governmental Activities \$ 159,219

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

Somerset Academy Bay  
(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	\$ -	\$ 32,411	\$ 32,411
State passed through local	1,639,992	-	1,639,992
Federal sources	-	20,816	20,816
Lunch program	-	16,977	16,977
Charges and other revenue	470,599	-	470,599
<b>Total Revenues</b>	<b>2,110,591</b>	<b>70,204</b>	<b>2,180,795</b>
<b>Expenditures:</b>			
<b>Current</b>			
Instruction	1,098,611	-	1,098,611
Board	36,089	-	36,089
Instructional staff training	4,521	-	4,521
School administration	355,119	-	355,119
Fiscal services	34,650	-	34,650
Food services	-	55,910	55,910
Central services	43,765	-	43,765
Operation of plant	371,384	32,411	403,795
Maintenance of plant	37,518	-	37,518
<b>Capital Outlay:</b>			
Other capital outlay	23,920	-	23,920
<b>Total Expenditures</b>	<b>2,005,577</b>	<b>88,321</b>	<b>2,093,898</b>
Excess (deficit) of revenues over expenditures	105,014	(18,117)	86,897
Transfers in (out)	(18,117)	18,117	-
Repayments due from other charter schools	15,000	-	15,000
Net change in fund balance	101,897	-	101,897
Fund Balance at beginning of year	282,611	-	282,611
Fund Balance at end of year	<b>\$ 384,508</b>	<b>\$ -</b>	<b>\$ 384,508</b>

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



Somerset Academy Bay  
(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 \$ 101,897

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 depreciation expense of \$78,615 exceeded capital outlays of \$23,920 (54,695)

Issuance of long term receivables represents a financial expenditure to governmental funds, but increases long-term assets in the statement of net position. Increase in long term receivables is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long-term assets in the statement of net position. This is the amount by which collections of \$15,000 exceeded the repayments of \$-0- in long term receivables in the current period. (15,000)

Increase in long term deposits is an expenditure in the governmental funds, but a decrease or collections of such deposits reduces long-term assets in the statement of net position. This is the amount by which increase in long-term deposits of \$1,626 exceeded collections of \$-0- in the current period. 1,626

Change in Net Position of Governmental Activities \$ 33,828

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

Somerset Academy Bay  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position - Fiduciary Funds  
June 30, 2016

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	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash	\$ 12,887
Total Assets	<u>12,887</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	
Due to students and clubs	12,887
Total Liabilities	<u>12,887</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b><u>Net Position</u></b>	<u>\$ -</u>

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

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

### Reporting Entity

Somerset Academy Bay (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 eight members and also governs other charter schools. The board has determined that no component units exist that would be 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, 2017 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

The School is located in Miami, Florida for students from kindergarten through eighth grade and is funded by the District. These financial statements are for the period through June 30, 2016, when approximately 231 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.

### Government-wide and Fund 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 also do not include fiduciary funds.

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

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

*Fund Financial Statements*

Fund financial statements are provided for governmental and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. 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 Schools' Internal Fund which is used to administer monies collected at the schools in connection with school, student activities, class, and club activities.

Measurement Focus and Basis of Accounting

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

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.

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

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.

Agency fund assets and liabilities are accounted for on the accrual basis of accounting.

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.

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 3).

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 funds derived from the National School Lunch Program 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 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.

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

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 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

Compensated Absences

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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.

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

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 will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

In addition, the School receives 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.

Net Position and Fund Balance Classifications

*Government-wide financial statements*

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

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



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

*Fund financial statements*

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not 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 - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted fund balance of the School relate to reserves required by the landlord for property maintenance and repairs. There are no restricted funds at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - 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.

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.

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.

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

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.

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 –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:

	<u>Balance</u> <u>07/01/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>06/30/16</u>
<b>Capital Assets:</b>				
Non - Depreciable:				
Construction in Progress	\$ -	\$ 3,092	\$ -	\$ 3,092
Depreciable:				
Computer equipment and software	143,245	7,590	-	150,835
Building and improvements	47,410	-	-	47,410
Furniture, equipment and textbooks	<u>139,650</u>	<u>13,238</u>	-	<u>152,888</u>
Total Capital Assets	<u>\$ 330,305</u>	<u>\$ 23,920</u>	<u>\$ -</u>	<u>\$ 354,225</u>
<b>Less Accumulated Depreciation:</b>				
Computer equipment and software	\$ (40,661)	\$ (28,898)	\$ -	\$ (69,559)
Building and improvements	(11,863)	(9,482)	-	(21,345)
Furniture, equipment and textbooks	<u>(50,380)</u>	<u>(40,235)</u>	-	<u>(90,615)</u>
Total Accumulated Depreciation	<u>(102,904)</u>	<u>(78,615)</u>	<u>-</u>	<u>(181,519)</u>
Capital Assets, net	<u>\$ 227,401</u>	<u>\$ (54,695)</u>	<u>\$ -</u>	<u>\$ 172,706</u>

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

Instruction	\$ 68,361
Operation of plant	<u>10,254</u>
Total Depreciation Expense	<u>\$ 78,615</u>

### Note 3 – 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 \$13,446.

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 \$36,000; including fiduciary account bank balances.

#### 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 \$90,000 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 date of 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.

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

Academica Dade, LLC, an education service and support provider, provides 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, financial reporting and virtual services. The agreement between the School and the education service and support provider 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 \$103,950 in fees.

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

**Note 5 – Transactions with Divisions of Somerset Academy, Inc. and Others**

Charter Schools under Somerset Academy, Inc.

The School shares its facility with Somerset Academy Bay Middle School (another 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. In addition, the School holds the student activities fund of Somerset Academy Bay Middle School.

The School's lunch program is shared with Somerset Academy Bay Middle School. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

The following schedule provides a summary of changes in long-term debt to and from other charter schools for the year ended June 30, 2016:

<i>Due from:</i>	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Somerset Academy Bay Middle, long-term	\$ 15,000	\$ -	\$ 15,000	\$ -
Due from other charter school	<u>\$ 15,000</u>	<u>\$ -</u>	<u>\$ 15,000</u>	<u>\$ -</u>
<i>Due to:</i>	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Somerset High Dade, long-term	\$ 340,119	\$ -	\$ -	\$ 340,119
Somerset South Miami, long-term	225,000	-	-	225,000
Due to other charter school	<u>\$ 565,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 565,119</u>

**Note 5 – Transactions with Divisions of Somerset Academy, Inc. and Others (continued)**

Somerset Academy, Inc. charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2016, the School paid \$23,100 to the Corporation for these shared costs.

In addition, a long-term deposit in connection with the lease agreement was transferred to Somerset, Inc. during the year (see Note 6).

Recoverable Grant

During the year ended June 30, 2016, the School received a \$350,000 recoverable grant from Somerset Academy, Inc.. The purpose of the grant is for the School to fund operating expenses. Under the terms of the grant, the School would repay corporate account of Somerset Academy, Inc. in the event the School experiences a surplus of its operating budget for any period ending on June 30, following the execution of the agreement.

The School also received a recoverable grant from the Corporation in 2015 with repayment contingent on the school subsequently meeting certain financial conditions. To date, management has determined that the School has not met the requirements for repayment under the grant terms. The maximum amount the School may be required to pay in the future should the school meet the requirements for repayment is \$550,000.

Somerset Academy Bay PTO

During the year ended June 30, 2016, the Somerset Academy Parent Teacher Organization awarded the School \$115,500 to be used on teacher aides for students.

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

Effective June 1, 2013, the School entered into an Educational Facilities Lease Agreement with Pinewood Acres School, Inc., Lones Family LTD Partnership and Lee S. Lones & Judy C. (collectively “the Landlord”) for a facility to house its campus. The lease agreement is for an initial term of five years to expire on June 30, 2018 and may be renewed for three additional five year periods. Initial fixed annual payments under the lease agreement (based on \$1,000 per full time equivalent students (FTE) at the location) are \$375,000, which is the minimum.

Lease payments are allocated among the School and Somerset Bay Middle School based on enrollment and usage of facility. The allocation used for 2016, was approximately 20% for Somerset Bay Middle School and 80% for the School.

For 2016, rent expense totaled \$307,793, out of which \$300,000 related to the facility lease. As of June 30, 2016, the School had prepaid approximately \$27,000 of rent expense.

Future minimum payments for the lease agreement (to be shared with Somerset Bay Middle School) are as follows:

<u>Year</u>	
2017	375,000
2018	375,000

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

In addition, the lease agreement acknowledges that the School has deposited an initial amount of \$200,000 pursuant to a Sale and Purchase Agreement dated August 8, 2012 entered into by School Development HC, LLC, an affiliate of the School’s education service and support provider, as purchaser, and the landlord, as seller. The lease agreement also indicates an additional deposit of \$200,000 to be made by the School for a total of \$400,000 purchase deposit, a portion of which is to be applied to the first month rent totaling \$31,250 and \$62,500 to be held as security deposit.

As of June 30, 2015, the School transferred both the balance of the deposit of \$368,750 per the lease agreement and the corresponding long-term payable of \$200,000 due to School Development HC, LLC to Somerset Academy, Inc.

The following schedule provides a summary of changes in the corresponding deposit and long-term debt due from School Development HC, LLC for the year ended June 30, 2016:

	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
Deposit due from Somerset Academy, Inc., long-term	\$ 168,750	\$ -	\$ -	\$ 168,750
Due for security deposit	<u>\$ 168,750</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 168,750</u>

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 5% of the qualifying revenues of the School. For the year ended June 30, 2016, administrative fees withheld by the School District totaled \$80,538.

**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**

Post-retirement Benefits

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 "Plan"), the School will match up to 4% of the employee's compensation. The School contributed to the Plan \$12,097 for the year ended June 30, 2016. The School does not exercise any control or fiduciary responsibility over the Plan's assets, which are administered by MassMutual Financial Group.



REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Bay  
(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	\$ 1,630,530	\$ 1,640,000	\$ 1,639,992
Charges and other revenue	482,500	465,000	470,599
Total Revenues	<u>2,113,030</u>	<u>2,105,000</u>	<u>2,110,591</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	1,089,159	1,100,000	1,098,611
Instructional Staff Training	5,000	5,000	4,521
Board	63,250	37,000	36,089
School Administration	360,000	360,000	355,119
Fiscal Services	37,125	35,000	34,650
Central Services	51,125	45,000	43,765
Operation of Plant	358,223	373,300	371,384
Maintenance of Plant	37,960	37,960	37,518
Total Current Expenditures	<u>2,001,842</u>	<u>1,993,260</u>	<u>1,981,657</u>
Excess of Revenues			
Over Current Expenditures	<u>111,188</u>	<u>111,740</u>	<u>128,934</u>
Capital Outlay			
Other Capital Outlay	30,000	30,000	23,920
Total Expenditures	<u>2,031,842</u>	<u>2,023,260</u>	<u>2,005,577</u>
Excess of Revenues Over Expenditures	81,188	81,740	105,014
Other financing sources (uses):			
Transfers in (out)	(21,602)	(25,000)	(18,117)
Repayments received from other charter schools	-	15,000	15,000
Net change in fund balance	59,586	71,740	101,897
Fund Balance at beginning of year	<u>282,611</u>	<u>282,611</u>	<u>282,611</u>
Fund Balance at end of year	<u>\$ 342,197</u>	<u>\$ 354,351</u>	<u>\$ 384,508</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 Bay  
(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	\$ 46,778	\$ 32,500	\$ 32,411
Federal sources	25,000	26,000	20,816
Lunch program	25,000	21,000	16,977
Total Revenues	<u>96,778</u>	<u>79,500</u>	<u>70,204</u>
<b>EXPENDITURES</b>			
Current:			
Food services	71,602	72,000	55,910
Operation of Plant	46,778	32,500	32,411
Total Current Expenditures	<u>118,380</u>	<u>104,500</u>	<u>88,321</u>
Excess of Revenues Over Current Expenditures	<u>(21,602)</u>	<u>(25,000)</u>	<u>(18,117)</u>
Capital Outlay	-	-	-
Total Expenditures	<u>118,380</u>	<u>104,500</u>	<u>88,321</u>
Excess of Revenues Over Expenditures	(21,602)	(25,000)	(18,117)
Other financing sources (uses)			
Transfers in (out)	<u>21,602</u>	<u>25,000</u>	<u>18,117</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 Bay  
Miami, 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 Bay (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.

Compliance and Other Matters

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

We issued a separate management letter dated August 29, 2016 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*HUB Gramer, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 29, 2016



MANAGEMENT LETTER

Board of Directors of  
Somerset Academy Bay  
Miami, Florida

**Report on the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy Bay 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. See status of prior year findings below. ①

**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 Bay. ✓

**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 Bay 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 Bay did not meet any of the conditions described in Section 218.503(1), Florida Statutes. ✓

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Somerset Academy Bay. It is management's responsibility to monitor Somerset Academy Bay'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. 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 report the results of our determination as to whether Somerset Academy Bay 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 Bay 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. ✓

### Status of Prior Year Findings and Recommendations

ML 15-01 – INTERNAL ACCOUNT

Disbursement – During the current year audit, we noted that from the sample obtained all disbursements agreed to the supporting source documentation. *This finding has been corrected.* ✓

### 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 Miami-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.

*HeB Granier, CPA*  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 29, 2016