

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

Miami, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2015

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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

2014-2015

BOARD OF DIRECTORS

David Concepcion, Board Chair  
Lourdes Isla, Director and Vice - Chair  
Ana Diaz, Director  
Louis Marin, Director  
George Ozuna, Director  
Tony Morales, Student Alumni, Director  
Raul Martinez, Jr., Director, Parent  
Jennifer Esquijarosa, Director

Other non-voting officers:

Bernardo Montero, President  
Suzette Ruiz, Vice-President

SCHOOL ADMINISTRATION

Saili Hernandez, Principal



CERTIFIED PUBLIC ACCOUNTANTS

## 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, 2015, 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, 2015, 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, 2015, 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, 2015 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 31, 2015, 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 29 through 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

  
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 31, 2015



**Management's Discussion and Analysis**  
Somerset Academy Bay  
(A Charter school Under Somerset Academy, Inc.)  
June 30, 2015

The corporate officers of Somerset Bay Academy have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2015.

**Financial Highlights**

1. The net position of the School at June 30, 2015 was \$128,643.
2. At year-end, the School had current assets on hand of \$384,569.
3. The School had an increase in its net position of \$22,155 for the year ended June 30, 2015.
4. The unassigned fund balance at year end was \$254,110.

**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, 2015 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 - 28 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 \$ 128,643 at the close of the fiscal year. A summary of the School's net position as of June 30, 2015 and 2014 follows:

|   | 2015              | 2014              |
|---|-------------------|-------------------|
| Cash and cash equivalents   | \$ 349,591        | \$ 242,447        |
| Prepaid expenses  | 26,875            | 34,619            |
| Due from other agencies   | 6,477             | 22,730            |
| Due from Somerset, Inc., long-term                                      | 170,376           | -                 |
| Deposits and other receivable   | -                 | 370,376           |
| Due from other charter school, long-term                                | 15,000            | 15,000            |
| Capital Assets, net   | 227,401           | 266,839           |
| <b>Total Assets</b>   | <b>795,720</b>    | <b>952,011</b>    |
| <b>Deferred outflows of resources</b>                                   | <b>-</b>          | <b>-</b>          |
| Accounts payable and accrued liabilities                                | 101,958           | 80,404            |
| Due to other charter schools, long-term                                 | 565,119           | 565,119           |
| Long-term debt  | -                 | 200,000           |
| <b>Total Liabilities</b>  | <b>667,077</b>    | <b>845,523</b>    |
| <b>Deferred inflows of resources</b>                                    | <b>-</b>          | <b>-</b>          |
| <b>Net Position:</b>  |                   |                   |
| Net investment in capital assets and long term deposits and receivables | -                 | -                 |
| Unrestricted  | 128,643           | 106,488           |
| <b>Total Net Position</b>   | <b>\$ 128,643</b> | <b>\$ 106,488</b> |

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, 2015 and 2014 follows:

|                                    | <u>2015</u>         | <u>2014</u>         |
|------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                    |                     |                     |
| Program Revenues                   |                     |                     |
| Operating Grants and Contributions | \$ 168,065          | \$ 242,356          |
| Capital Outlay Funding             | 72,235              | 90,242              |
| Lunch Program                      | 28,052              | 24,805              |
| Charges for Services               | 15,000              | 664,673             |
| General Revenues                   |                     |                     |
| Local Sources(FTE non specific)    | 1,712,706           | 1,439,853           |
| Other Revenues                     | 207,601             | 6,555               |
| <b>Total Revenues</b>              | <u>\$ 2,203,659</u> | <u>\$ 2,468,484</u> |
| <b>EXPENSES</b>                    |                     |                     |
| Component Unit Activities:         |                     |                     |
| Instruction                        | \$ 1,129,611        | \$ 1,127,814        |
| Instructional media services       | -                   |                     |
| Instructional staff training       | 4,073               | 5,310               |
| Board                              | 21,956              | 66,034              |
| School administration              | 348,612             | 323,047             |
| Facilities acquisition             | 2,670               | -                   |
| Fiscal services                    | 37,125              | 32,850              |
| Food services                      | 72,723              | 68,220              |
| Central services                   | 45,851              | 45,308              |
| Operation of plant                 | 439,303             | 515,578             |
| Maintenance of plant               | 38,842              | 64,099              |
| Community Services                 | 40,738              | 113,736             |
| <b>Total Expenses</b>              | <u>2,181,504</u>    | <u>2,361,996</u>    |
| Increase in Net Position           | 22,155              | 106,488             |
| Net Position at Beginning of Year  | 106,488             | -                   |
| Net Position at End of Year        | <u>\$ 128,643</u>   | <u>\$ 106,488</u>   |

Student enrollment increased for 2015 by approximately 29 students.

### **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 248 students enrolled in grades kindergarten through fifth.

### **Achievements**

In 2015, Somerset Academy Bay completed its 2nd year of operation, serving 247 students in grades K-5. To date, the State of Florida has not released school grades for the 2014-2015 school year.



In 2014, student performance under the State of Florida Accountability Program was exceptional, as evidenced by the School earning a letter grade of "A" in its first year eligible for a grade and ranking it 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, Vocabulary Parade, and Somerset Academy Talent Show. 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 seeking to obtain approval to be able to expand its enrollment at its site.

## **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 \$282,611. The fund balance unassigned and available for spending at the School's discretion is \$254,110. 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, 2015 amounts to \$227,401 (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 | \$ 85,400           | \$ 74,250           | \$ 72,235           |
| Federal sources              | 20,000              | 22,000              | 22,565              |
| Lunch program                | 25,000              | 28,000              | 28,052              |
| Charges and other revenues   | 145,500             | 145,500             | 145,500             |
| General Revenues             |                     |                     |                     |
| FTE nonspecific revenues     | 1,706,700           | 1,710,000           | 1,712,706           |
| Charges and other revenues   | 205,000             | 220,000             | 222,601             |
| Total Revenues               | <u>2,187,600</u>    | <u>2,199,750</u>    | <u>2,203,659</u>    |
| <b>CURRENT EXPENDITURES</b>  |                     |                     |                     |
| Component Unit Activities    |                     |                     |                     |
| Instruction                  | 1,070,500           | 1,070,500           | 1,068,100           |
| Instructional staff training | 5,000               | 5,000               | 4,073               |
| Board                        | 25,000              | 23,000              | 21,956              |
| School administration        | 350,000             | 350,000             | 348,612             |
| Fiscal services              | 40,000              | 37,125              | 37,125              |
| Food services                | 70,000              | 73,000              | 72,723              |
| Central services             | 47,175              | 46,000              | 45,851              |
| Operation of plant           | 445,300             | 434,250             | 430,229             |
| Maintenance of plant         | 40,000              | 40,000              | 38,842              |
| Community Services           | 42,000              | 42,000              | 40,738              |
| Total Current Expenditures   | <u>\$ 2,134,975</u> | <u>\$ 2,120,875</u> | <u>\$ 2,108,249</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, 2015

| <u>Assets</u>   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| Current assets:   |                                    |
| Cash and cash equivalents   | \$ 349,591                         |
| Prepaid expenses  | 26,875                             |
| Due from other agencies   | 6,477                              |
| Deposits and other receivable   | 1,626                              |
| Total current assets  | <u>384,569</u>                     |
| Capital assets, depreciable   | 330,305                            |
| Less: accumulated depreciation  | <u>(102,904)</u>                   |
|   | <u>227,401</u>                     |
| Due from Somerset, Inc., long-term                                      | 168,750                            |
| Due from other charter school, long-term                                | <u>15,000</u>                      |
| Total Assets  | <u>795,720</u>                     |
| <u>Deferred Outflows of Resources</u>                                   | <u>-</u>                           |
| <u>Liabilities</u>  |                                    |
| Current liabilities:  |                                    |
| Salaries and wages payable  | <u>101,958</u>                     |
| Total current liabilities   | 101,958                            |
| Due to other charter schools, long-term                                 | <u>565,119</u>                     |
| Total liabilities   | 667,077                            |
| <u>Deferred Inflows of Resources</u>                                    | <u>-</u>                           |
| <u>Net Position</u>   |                                    |
| Net investment in capital assets and long term deposits and receivables | -                                  |
| Unrestricted  | <u>128,643</u>                     |
| Total Net Position  | <u>\$ 128,643</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, 2015

| FUNCTIONS                            | Expenses         | Program Revenues        |  |  | Net (Expense)<br>Revenue<br>and Changes<br>in Net Position |
|--------------------------------------|------------------|-------------------------|--|--|--|
|                                      |                  | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions |  |
| <b>Governmental activities:</b>      |                  |                         |  |  |  |
| Instruction                          | \$ 1,129,611     | \$ 15,000               | \$ 145,500                               | \$ -                                   | \$ (969,111)   |
| Instructional media services         | -                | -                       | -  | -                                      | -  |
| Instructional staff training         | 4,073            | -                       | -  | -                                      | (4,073)  |
| Board                                | 21,956           | -                       | -  | -                                      | (21,956)   |
| School administration                | 348,612          | -                       | -  | -                                      | (348,612)  |
| Facilities acquisition               | 2,670            | -                       | -  | -                                      | (2,670)  |
| Fiscal services                      | 37,125           | -                       | -  | -                                      | (37,125)   |
| Food services                        | 72,723           | 28,052                  | 22,565                                   | -                                      | (22,106)   |
| Central services                     | 45,851           | -                       | -  | -                                      | (45,851)   |
| Operation of plant                   | 439,303          | -                       | -  | 72,235                                 | (367,068)  |
| Maintenance of plant                 | 38,842           | -                       | -  | -                                      | (38,842)   |
| Community Services                   | 40,738           | -                       | -  | -                                      | (40,738)   |
| <b>Total governmental activities</b> | <b>2,181,504</b> | <b>43,052</b>           | <b>168,065</b>                           | <b>72,235</b>                          | <b>(1,898,152)</b>   |
| General revenues:                    |                  |                         |  |  |  |
| FTE nonspecific revenues             |                  |                         |  |  | 1,712,706  |
| Interest and other revenue           |                  |                         |  |  | 207,601  |
| Change in net position               |                  |                         |  |  | 22,155   |
| Net position, beginning              |                  |                         |  |  | 106,488  |
| Net position, ending                 |                  |                         |  |  | \$ 128,643   |

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, 2015

|  | General Fund | Special<br>Revenue Fund | Total<br>Governmental<br>Funds |
|--|--------------|-------------------------|--------------------------------|
| <b><u>Assets</u></b>   |              |                         |                                |
| Cash and cash equivalents  | \$ 349,591   | \$ -                    | \$ 349,591                     |
| Due from other agencies  | -            | 6,477                   | 6,477                          |
| Due from fund  | 6,477        | -                       | 6,477                          |
| Prepaid expenses   | 26,875       | -                       | 26,875                         |
| Deposit receivable   | 1,626        | -                       | 1,626                          |
| Total Assets   | 384,569      | 6,477                   | 391,046                        |
| <b><u>Deferred Outflows of Resources</u></b>                         |              |                         |                                |
|  | -            | -                       | -                              |
| <b><u>Liabilities</u></b>  |              |                         |                                |
| Salaries and wages payable   | 101,958      | -                       | 101,958                        |
| Due to fund  | -            | 6,477                   | 6,477                          |
| Total Liabilities  | 101,958      | 6,477                   | 108,435                        |
| <b><u>Deferred Inflows of Resources</u></b>                          |              |                         |                                |
|  | -            | -                       | -                              |
| <b><u>Fund balance</u></b>   |              |                         |                                |
| Nonspendable, not in spendable form                                  | 28,501       | -                       | 28,501                         |
| Unassigned   | 254,110      | -                       | 254,110                        |
|  | 282,611      | -                       | 282,611                        |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balance | \$ 384,569   | \$ 6,477                | \$ 391,046                     |

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, 2015

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Total Fund Balance - Governmental Funds \$ 282,611

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

Capital assets of \$330,305 net of accumulated depreciation of \$102,904 used in governmental activities are not financial resources and therefore are not reported in the fund. 227,401

Non-current assets are not recoverable in the current period and therefore, are not reported in the fund. 183,750

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 \$ 128,643

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, 2015

|  | General Fund     | Special<br>Revenue Fund | Total<br>Governmental<br>Funds |
|--|------------------|-------------------------|--------------------------------|
| <b>Revenues:</b>                               |                  |                         |                                |
| State capital outlay funding                   | \$ -             | \$ 72,235               | \$ 72,235                      |
| State passed through local                     | 1,712,706        | -                       | 1,712,706                      |
| Federal sources                                | -                | 22,565                  | 22,565                         |
| Lunch program                                  | -                | 28,052                  | 28,052                         |
| Charges and other revenue                      | 222,601          | 145,500                 | 368,101                        |
| <b>Total Revenues</b>                          | <b>1,935,307</b> | <b>268,352</b>          | <b>2,203,659</b>               |
| <b>Expenditures:</b>                           |                  |                         |                                |
| <b>Current</b>                                 |                  |                         |                                |
| Instruction                                    | 922,600          | 145,500                 | 1,068,100                      |
| Board  | 21,956           | -                       | 21,956                         |
| Instructional media services                   | -                | -                       | -                              |
| Instructional staff training                   | 4,073            | -                       | 4,073                          |
| School administration                          | 348,612          | -                       | 348,612                        |
| Facilities acquisition                         | -                | -                       | -                              |
| Fiscal services                                | 37,125           | -                       | 37,125                         |
| Food services                                  | -                | 72,723                  | 72,723                         |
| Central services                               | 45,851           | -                       | 45,851                         |
| Operation of plant                             | 357,994          | 72,235                  | 430,229                        |
| Maintenance of plant                           | 38,842           | -                       | 38,842                         |
| Community Services                             | 40,738           | -                       | 40,738                         |
| <b>Capital Outlay:</b>                         |                  |                         |                                |
| Other capital outlay                           | 33,817           | -                       | 33,817                         |
| <b>Debt Service:</b>                           |                  |                         |                                |
| Repayment of Principal                         | -                | -                       | -                              |
| <b>Total Expenditures</b>                      | <b>1,851,608</b> | <b>290,458</b>          | <b>2,142,066</b>               |
| Excess (deficit) of revenues over expenditures | 83,699           | (22,106)                | 61,593                         |
| Long-term debt                                 | -                | -                       | -                              |
| Transfers in (out)                             | (22,106)         | 22,106                  | -                              |
| Deposits and due from other charter schools    | -                | -                       | -                              |
| Net change in fund balance                     | 61,593           | -                       | 61,593                         |
| Fund Balance at beginning of year              | 221,018          | -                       | 221,018                        |
| Fund Balance at end of year                    | \$ 282,611       | \$ -                    | \$ 282,611                     |

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, 2015

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Net Change in Fund Balance - Governmental Funds \$ 61,593

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 \$73,255 and retirements of \$13,016 exceeded capital outlays of \$46,833. (39,438)

Change in Net Position of Governmental Activities \$ 22,155

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, 2015

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|  | <u>Agency Funds</u> |
|--|---------------------|
| <b><u>Assets</u></b>                         |                     |
| Cash   | <u>\$ 18,417</u>    |
| Total Assets                                 | <u>18,417</u>       |
| <b><u>Deferred Outflows of Resources</u></b> | <u>-</u>            |
| <b><u>Liabilities</u></b>                    |                     |
| Due to students and clubs                    | 18,417              |
| Total Liabilities                            | <u>18,417</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 Bay, 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 fifth grades and is funded by the District. These financial statements are for the period from inception through June 30, 2015, when approximately 248 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* - School's internal funds 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.

Deposits and Investments

All deposits are held in major banks and high grade investments. The School has not adopted a formal investment policy; however the School invests excess deposit funds in collateralized repurchase agreements. Cash and cash equivalents include all highly liquid investments with a maturity of three months or less. All deposits and investments in repurchase agreements are carried at cost plus accrued interest.

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                      | 20 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.

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

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.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

In addition, the School receives 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 (3) components:

- a) Net investment in capital assets and long term receivables - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets 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."

*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 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 - 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.

**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.

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.

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 31, 2015, which is the date the financial statements were available to be issued.

Somerset Academy Bay  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2015

**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, 2015:

|                                       | Balance<br>07/01/14      | Additions                 | Retirements             | Balance<br>06/30/15      |
|---------------------------------------|--------------------------|---------------------------|-------------------------|--------------------------|
| <b>Capital Assets:</b>                |                          |                           |                         |                          |
| Computer equipment and software       | 148,515                  | \$ 7,746                  | \$ 13,016               | \$ 143,245               |
| Building and improvements             | 35,610                   | 11,800                    | -                       | 47,410                   |
| Furniture, equipment and textbooks    | 112,363                  | 27,287                    | -                       | 139,650                  |
| Total Capital Assets                  | <u>\$ 296,488</u>        | <u>\$ 46,833</u>          | <u>\$ 13,016</u>        | <u>\$ 330,305</u>        |
| <b>Less Accumulated Depreciation:</b> |                          |                           |                         |                          |
| Computer equipment and software       | (14,473)                 | (26,188)                  | -                       | (40,661)                 |
| Building and improvements             | (3,561)                  | (8,302)                   | -                       | (11,863)                 |
| Furniture, equipment and textbooks    | (11,615)                 | (38,765)                  | -                       | (50,380)                 |
| Total Accumulated Depreciation        | <u>(29,649)</u>          | <u>(73,255)</u>           | <u>-</u>                | <u>(102,904)</u>         |
| Capital Assets, net                   | <u><u>\$ 266,839</u></u> | <u><u>\$ (26,422)</u></u> | <u><u>\$ 13,016</u></u> | <u><u>\$ 227,401</u></u> |

For the fiscal year ended June 30, 2015, depreciation expense is allocated in the Statement of Activities by function as follows:

|                            |           |               |
|----------------------------|-----------|---------------|
| Instruction                | \$        | 61,511        |
| Facilities acquisition     |           | 2,670         |
| Operation of plant         |           | 9,074         |
| Total Depreciation Expense | <u>\$</u> | <u>73,255</u> |

**Note 3 – Deposits and Investments**

Deposits

The School maintains its cash and cash equivalents in major banks and in high grade investments. As of June 30, 2015, the bank balance of the School's deposits and investments was \$185,107; of which \$35,107 consisted of bank balances and \$150,000 was fully collateralized under a repurchase agreement with Regions Bank (the "Bank").

**Note 3 – Deposits and Investments (continued)**

Investments and Credit Risk

Custodial credit risk for deposits is the risk that in the event of a failure of a depository financial institution, 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, 2015, all of the School's investments in repurchase agreements were held as part of the Bank's investment portfolio.

The School has not formally approved an investment policy regarding custodial credit risk; however it mitigates its credit risk by maintaining excess funds available in overnight repurchase agreements. Amounts invested in repurchase agreements are secured obligations collateralized by securities that include: non-callable U.S. Government and Agency Securities; Callable and Structured Agency Securities; Agency Mortgage-Backed Securities guaranteed by a federal agency, Bonds issued by government sponsored enterprises, Freddie Mac and Fannie Mae. Amounts invested in repurchase agreements are not insured by the FDIC and are subject to investment risks, including possible loss of principal invested, and if the Bank fails the School will become a secured creditor and may become an unsecured general creditor to the extent the market value of the securities used as collateral falls below the outstanding amount of repurchase obligations to the School.

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

Academica Dade, LLC, a professional charter school education service and support provider, provides management and administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting 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 three years, through June 30, 2016, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2015, the School incurred approximately \$111,000, in fees.

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

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

Somerset Academy Bay  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2015

**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, 2015:

| <i>Due from:</i>                | Balance<br>07/01/14 | Additions   | Deletions   | Balance<br>06/30/15 |
|---------------------------------|---------------------|-------------|-------------|---------------------|
| Somerset Academy Bay, long-term | \$ 15,000           | \$ -        | \$ -        | \$ 15,000           |
| Due to other charter school     | <u>\$ 15,000</u>    | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 15,000</u>    |

| <i>Due to:</i>                  | Balance<br>07/01/14 | Additions   | Deletions   | Balance<br>06/30/15 |
|---------------------------------|---------------------|-------------|-------------|---------------------|
| 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>   |

Somerset Academy, Inc.

Somerset Academy, Inc. (the “Corporation”) charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2015, the School paid \$24,725 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, 2015, the School received a \$200,000 recoverable grant from the Corporation. The purpose of the grant is for the School to fund operating expenses. Under the terms of the grant, the School would repay the Corporation 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.

Somerset Academy Bay PTO

During the year ended June 30, 2015, the Somerset Academy Parent Teacher Organization awarded the School \$145,500 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 and are \$375,000, which is the minimum.

Lease payments are allocated among School and Somerset Bay Middle School based on enrollment and usage of facility. The allocation used for 2015, was approximately 15% for Somerset Bay Middle School and 85% for the School.

For 2015, rent expense totaled \$330,101, out which \$322,500 related to the facility lease. As of June 30, 2015, 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> |         |
|-------------|---------|
| 2016        | 375,000 |
| 2017        | 375,000 |
| 2018        | 375,000 |

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. The remainder of \$302,250 is to be returned to the School in equal monthly rental credits of \$4,687 beginning June 1, 2016 or will be returned to the School fully upon termination of the lease agreement.

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, Inc.

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

The following schedule provides a summary of changes in the corresponding deposit and long-term debt due to School Development HC, LLC for the year ended June 30, 2015:

|  | Balance<br>07/01/14 | Additions | Deletions  | Balance<br>06/30/15 |
|--|---------------------|-----------|------------|---------------------|
| Deposit due from Somerset, Inc., long-term | \$ 368,750          | \$ -      | \$ 200,000 | \$ 168,750          |
| Due for security deposit                   | \$ 368,750          | \$ -      | \$ 200,000 | \$ 168,750          |

|                            | Balance<br>07/01/14 | Additions | Deletions  | Balance<br>06/30/15 |
|----------------------------|---------------------|-----------|------------|---------------------|
| School Development HC, LLC | \$ 200,000          | \$ -      | \$ 200,000 | \$ -                |
| Other long-term debt       | \$ 200,000          | \$ -      | \$ 200,000 | \$ -                |

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, 2015, administrative fees withheld by the School District totaled \$84,308.

**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 provides a match of 50% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$6,943 for the year ended June 30, 2015. The School does not exercise any control or fiduciary responsibility over the Plan's assets, which are administered by MassMutual Financial Group.

**Note 9 – Subsequent Events**

Effective July 1, 2015, the School moved to utilizing a government money market mutual fund as an investment vehicle for its excess deposit funds. A government money market mutual fund invests exclusively in obligations issued or guaranteed by the U.S. Government and its agencies and instrumentalities and in repurchase agreements collateralized by such securities. All balances held under the repurchase agreement as of June 30, 2015 have been moved to this new vehicle.

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, 2015

|   | General Fund      |                   |                   |
|---|-------------------|-------------------|-------------------|
|   | Original Budget   | Final Budget      | Actual            |
| <b>REVENUES</b>                                 |                   |                   |                   |
| State passed through local                      | \$ 1,706,700      | \$ 1,710,000      | \$ 1,712,706      |
| Charges and other revenue                       | 205,000           | 220,000           | 222,601           |
| Total Revenues                                  | <u>1,911,700</u>  | <u>1,930,000</u>  | <u>1,935,307</u>  |
| <b>EXPENDITURES</b>                             |                   |                   |                   |
| Current:  |                   |                   |                   |
| Instruction                                     | 925,000           | 925,000           | 922,600           |
| Instructional Staff Training                    | 5,000             | 5,000             | 4,073             |
| Board   | 25,000            | 23,000            | 21,956            |
| School Administration                           | 350,000           | 350,000           | 348,612           |
| Fiscal Services                                 | 40,000            | 37,125            | 37,125            |
| Central Services                                | 47,175            | 46,000            | 45,851            |
| Operation of Plant                              | 360,000           | 360,000           | 357,994           |
| Maintenance of Plant                            | 40,000            | 40,000            | 38,842            |
| Community Services                              | 42,000            | 42,000            | 40,738            |
| Total Current Expenditures                      | <u>1,834,175</u>  | <u>1,828,125</u>  | <u>1,817,791</u>  |
| Excess of Revenues<br>Over Current Expenditures | <u>77,525</u>     | <u>101,875</u>    | <u>117,516</u>    |
| Capital Outlay                                  |                   |                   |                   |
| Other Capital Outlay                            | 25,000            | 35,000            | 33,817            |
| Total Expenditures                              | <u>1,859,175</u>  | <u>1,863,125</u>  | <u>1,851,608</u>  |
| Excess of Revenues Over Expenditures            | 52,525            | 66,875            | 83,699            |
| Other financing sources (uses):                 |                   |                   |                   |
| Transfers in (out)                              | <u>(24,900)</u>   | <u>(23,000)</u>   | <u>(22,106)</u>   |
| Net change in fund balance                      | 27,625            | 43,875            | 61,593            |
| Fund Balance at beginning of year               | <u>221,018</u>    | <u>221,018</u>    | <u>221,018</u>    |
| Fund Balance at end of year                     | <u>\$ 248,643</u> | <u>\$ 264,893</u> | <u>\$ 282,611</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, 2015

|   | Special Revenue Fund |                 |                 |
|---|----------------------|-----------------|-----------------|
|   | Original Budget      | Final Budget    | Actual          |
| <b>REVENUES</b>                                 |                      |                 |                 |
| State capital outlay funding                    | \$ 85,400            | \$ 74,250       | \$ 72,235       |
| Federal sources                                 | 20,000               | 22,000          | 22,565          |
| Lunch program                                   | 25,000               | 28,000          | 28,052          |
| Charges and other revenue                       | 145,500              | 145,500         | 145,500         |
| Total Revenues                                  | <u>275,900</u>       | <u>269,750</u>  | <u>268,352</u>  |
| <b>EXPENDITURES</b>                             |                      |                 |                 |
| Current:  |                      |                 |                 |
| Instruction                                     | 145,500              | 145,500         | 145,500         |
| Food services                                   | 70,000               | 73,000          | 72,723          |
| Operation of Plant                              | 85,300               | 74,250          | 72,235          |
| Total Current Expenditures                      | <u>300,800</u>       | <u>292,750</u>  | <u>290,458</u>  |
| Excess of Revenues<br>Over Current Expenditures | <u>(24,900)</u>      | <u>(23,000)</u> | <u>(22,106)</u> |
| Capital Outlay                                  |                      |                 |                 |
| Total Expenditures                              | <u>300,800</u>       | <u>292,750</u>  | <u>290,458</u>  |
| Excess of Revenues Over Expenditures            | (24,900)             | (23,000)        | (22,106)        |
| Other financing sources (uses)                  |                      |                 |                 |
| Transfers in (out)                              | <u>24,900</u>        | <u>23,000</u>   | <u>22,106</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, 2015, 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 31, 2015.

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 noted certain matters that we reported to management in a separate management letter dated August 31, 2015 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
August 31, 2015



MANAGEMENT LETTER

Board of Directors of  
Somerset Academy Bay  
Doral, 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, 2015 and have issued our report thereon dated August 31, 2015.

**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 31, 2015, 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.

**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 have the following observation and recommendation.

#### ML 15-01 – INTERNAL ACCOUNT

##### Observation

We noted that the internal account did not have supporting documentation for two disbursements and the required dual signature for one disbursement.

##### Recommendation

We recommend that the policies and procedures for internal account disbursements be adhered to for all transactions.

### **Status of Prior Year Findings and Recommendations**

#### ML 14-01 – INTERNAL ACCOUNT

Disbursement – During the current year audit, we noted that all disbursements agreed to the supporting source documentation except for two disbursements that did not have any supporting documentation. ***This is a repeat finding.***

Deposit – During the current year audit, we noted that all deposits had the supporting recaps on file and were properly signed by the teacher/sponsor and treasurer.

Recommendation

We recommend that personnel that handle the internal account activity receive training on internal account policies and procedures.

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 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.

Coral Gables, Florida  
August 31, 2015

*HLB Davis, LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

Somerset Academy Bay

August 27, 2015

HLB Gravier, LLP  
396 Alhambra Circle, 9<sup>th</sup> Floor  
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSE TO AUDITOR'S RECOMMENDATION

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

**ML 2015-01 – INTERNAL ACCOUNT - DISBURSEMENTS**

**Recommendation**

We recommend that the policies and procedures for internal account disbursements be adhered to for all transactions.

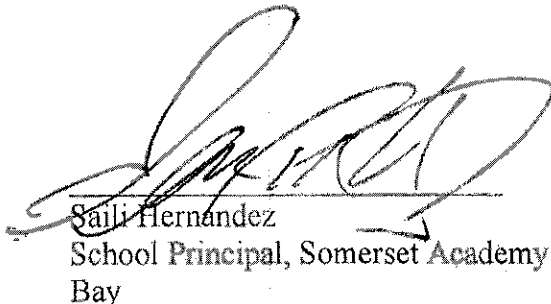
**Management Responses**

Management will adhere to auditor's recommendation. A policy has been set requiring the Treasurer to obtain a second signature and attach the required supporting documentation with every disbursement. The Principal shall verify that these requirements are met before release of any disbursement.

Sincerely,



David Concepcion  
Board Chair, Somerset Academy, Inc.



Sali Hernandez  
School Principal, Somerset Academy  
Bay