

**Somerset Academy Elementary School
(South Miami Campus)**
W/L # 2007
(A charter school under Somerset Academy, Inc.)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2017

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Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

W/L # 2007
5876 Southwest 68th Street
Miami, Florida 33143

2016-2017

BOARD OF DIRECTORS

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

SCHOOL ADMINISTRATION

Kim Guilarte, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President

Suzette Ruiz, Vice-President



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Elementary School (South Miami Campus)
Miami, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Elementary School (South Miami Campus) (the "School"), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise 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, each major fund, and the aggregate remaining fund information of Somerset Academy Elementary School (South Miami Campus) as of June 30, 2017, 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 Elementary School (South Miami Campus) as of June 30, 2017, 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, 2017 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2017, 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* in considering the School's internal control over financial reporting and compliance.

Required Supplementary Information

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 9 and 28 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 30, 2017

Management's Discussion and Analysis
Somerset Academy Elementary School (South Miami Campus)
(A Charter school Under Somerset Academy, Inc.)
June 30, 2017

The corporate officers of Somerset Academy Elementary School (South Miami Campus) have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2017.

Financial Highlights

1. The net position of the School at June 30, 2017 was \$2,883,685.
2. At year-end, the School had current assets on hand of \$1,437,618.
3. The School had an increase in its net position of \$390,813 for the year ended June 30, 2017.
4. The unassigned fund balance at year end was \$1,271,549.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2017 are presented under 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 10 - 11 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 page 12 - 16 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 17 - 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, the net position was \$2,883,685 at the close of the fiscal year. A summary of the School's net position as of June 30, 2017 and 2016 is as follows:

	2017	2016
Cash and cash equivalents	\$ 218,870	\$ 169,587
Investments	1,150,000	1,390,000
Due from landlord	34,372	36,000
Prepaid expenses	19,073	59,602
Due from other agencies	8,991	4,862
Deposit	6,312	6,312
Long-term receivable from other divisions of Somerset Academy, Inc	925,000	225,000
Capital Assets, net	661,751	750,471
Total Assets	3,024,369	2,641,834
Deferred outflows of resources	-	-
Accounts Payable and Accrued Liabilities	140,684	148,962
Total Liabilities	140,684	148,962
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets and long-term receivables	1,586,751	975,471
Unrestricted	1,296,934	1,517,401
Total Net Position	\$ 2,883,685	\$ 2,492,872

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 38,345	\$ 37,428
Capital Outlay Funding	133,590	83,064
Lunch Program Fees	58,623	66,127
Charges for Services	248,306	166,746
General Revenues		
Local Sources(FTE non specific)	2,798,139	2,885,432
Other Revenues	191,956	127,318
Total Revenues	<u>\$ 3,468,959</u>	<u>\$ 3,366,115</u>
EXPENSES		
Governmental Activities:		
Instruction	\$ 1,644,678	\$ 1,740,294
Instructional staff training	6,321	1,769
Board	10,110	51,950
School administration	414,764	379,448
Facilities acquisition	44,681	49,520
Fiscal services	60,075	63,675
Food services	107,163	110,050
Central services	87,403	100,567
Operation of plant	588,887	541,796
Maintenance of plant	114,064	126,812
Community Services	-	21,334
Total Expenses	<u>3,078,146</u>	<u>3,187,215</u>
Increase in Net Position	390,813	178,900
Net Position at Beginning of Year	<u>2,492,872</u>	<u>2,313,972</u>
Net Position at End of Year	<u>\$ 2,883,685</u>	<u>\$ 2,492,872</u>

The School's revenues increased by \$102,844 and expenses decreased by \$111,132 in the current year. Student enrollment for 2017 decreased by 25 students. The School had an increase in its net position of \$392,876 for the year.

School Location and Lease of Facility

The School leases a facility located at 5876 Southwest 68th Street, Miami, Florida, 33143.

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 400 students enrolled in kindergarten through fifth grade.

Accomplishments

In 2017, Somerset Academy Elementary School South Miami (“SoMi”) completed its eighth year of operations, serving over 400 students in grades K-5. The school earned a letter grade of “A” for the 7th consecutive year. Based on the results reported under the State of Florida Accountability Program in 2017, SoMi ranked among the top 5 highest performing public elementary schools in all of Miami-Dade County, and among the top 1% of public elementary schools in Florida. In addition, SoMi’s 3rd graders had the highest score of all elementary schools in Miami-Dade County in both Math and English Language Arts.

Somerset SoMi offers a rigorous curriculum, featuring a Spanish and Mandarin Language program. In addition, Somerset SoMi provides its students with an extra-curricular program of activities, including team sports and clubs, such as Volleyball, Baseball, Soccer, Basketball, Cheerleading, Dance, and Flag Football. Somerset SoMi is also a member of the National Elementary Honor Society.

This past year, Somerset SoMi students participated in various school-based events and productions, including the “Reading Under the Stars” Family Night, the “Random Acts of Kindness Week” campaign, the Vocabulary Parade, Reader’s Theater, STEM Science Fair Week, the Chinese New Year Celebration, Hispanic Heritage Week, Field Day, African American History Month, the Annual Holiday Show, and SoMi Art Gallery Night. Students also participated in district-wide events such as the Somerset District Annual Spelling Bee, the Somerset Math Bowl, the Miami Herald Spelling Bee, Career Day, Earth Day, Take Your Child to Work Day, and Read Across America Day. In addition, SoMi students participated in educational field trips to places such as: Zoo Miami, plays at Actor’s Playhouse, Miami-Dade Environmental Center, Fairchild Tropical Gardens, Museum of Discovery and Science, Jungle Island, Everglades National Park, Disney on Ice, the Disney Experience, St. Augustine, Knausberry Farm, and Lego Land.

Giving back to their community is also very important to students at Somerset SoMi. Throughout the year, students participated in various community service projects, including *Ronald McDonald House*, the *South Miami Community Center Thanksgiving Food and Can Drive*, and the *South Miami Police Department* collections for toys.

As with all Somerset Academy schools, parental involvement is a key part of the educational process at SoMi. The Teacher-Parent-Student partnership plays an integral role in each child’s education, as parents volunteer hours of their time and participate in school activities. This past year, SoMi parents helped raise funds for the school by coordinating a School Carnival.

Providing valuable professional development activities for its teachers is also a priority for the school. This past year, teachers participated in professional development course/workshops including I-Ready trainings, intensive data chat workshops, Reading Coach’s meetings, Math and Science workshops, and Special Education courses that apply for teacher recertification. As a member of the Somerset Academy network of high quality charter schools, Somerset SoMi 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 the network, Somerset SoMi places high expectations for student learning and offers multiple opportunities for all students to acquire requisite knowledge, skills, and attitudes in a safe and nurturing 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.

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 \$1,296,934. The fund balance unassigned and available for spending at the School's discretion is \$1,271,549. 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, 2017 amounts to \$661,751 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2017, the School had no long term debt related to capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 110,000	\$ 134,138	\$ 133,590
Federal sources	45,000	34,000	38,345
Lunch program fees	100,000	63,000	58,623
General Revenues			
FTE nonspecific revenues	2,688,000	2,783,375	2,798,139
Charges and other revenues	325,190	435,915	440,262
Total Revenues	<u>3,268,190</u>	<u>3,450,428</u>	<u>3,468,959</u>
CURRENT EXPENDITURES			
Governmental Activities:			
Instruction	1,433,521	1,620,554	1,609,416
Instructional staff training	5,000	7,000	6,321
Board	51,000	11,050	10,110
School administration	361,142	417,638	414,764
Fiscal services	60,000	60,075	60,075
Food services	145,000	110,000	107,082
Central services	108,000	88,075	87,403
Operation of plant	569,265	598,453	580,191
Maintenance of plant	132,500	132,500	114,064
Community Services	-	-	-
Total Current Expenditures	<u>\$ 2,865,428</u>	<u>\$ 3,045,345</u>	<u>\$ 2,989,426</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 Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2017

	<u>Governmental Activities</u>
<u>Assets</u>	
Current assets:	
Cash and cash equivalents	\$ 218,870
Investments	1,150,000
Due from landlord	34,372
Prepaid expenses	19,073
Due from other agencies	8,991
Deposit	<u>6,312</u>
	1,437,618
Long-term receivable from other divisions of Somerset Academy, Inc	925,000
Capital assets, depreciable	1,864,083
Less: accumulated depreciation	<u>(1,202,332)</u>
	661,751
Total Assets	<u>3,024,369</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	<u>140,684</u>
Total Liabilities	140,684
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets and long-term receivables	1,586,751
Unrestricted	<u>1,296,934</u>
Total Net Position	<u>\$ 2,883,685</u>

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

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Activities

For the year ended June 30, 2017

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,644,678	\$ 200,110	\$ -	\$ -	\$ (1,444,568)
Instructional staff training	6,321	-	-	-	(6,321)
Board	10,110	-	-	-	(10,110)
School administration	414,764	-	-	-	(414,764)
Facilities acquisition	44,681	-	-	-	(44,681)
Fiscal services	60,075	-	-	-	(60,075)
Food services	107,163	58,623	38,345	-	(10,195)
Central services	87,403	-	-	-	(87,403)
Operation of plant	588,887	48,196	-	133,590	(407,101)
Maintenance of plant	114,064	-	-	-	(114,064)
Total governmental activities	3,078,146	306,929	38,345	133,590	(2,599,282)
General revenues:					
FTE nonspecific revenues					2,798,139
Interest and other revenue					191,956
Change in net position					390,813
Net position, beginning					2,492,872
Net position, ending					\$ 2,883,685

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

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2017

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 218,870	\$ -	\$ 218,870
Investments	1,150,000		1,150,000
Due from landlord	34,372	-	34,372
Due from other agencies	-	8,991	8,991
Due from fund	8,991	-	8,991
Prepaid expenses	19,073	-	19,073
Deposit	6,312	-	6,312
Total Assets	<u>1,437,618</u>	<u>8,991</u>	<u>1,446,609</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>			
Salaries and wages payable	140,684	-	140,684
Due to fund	-	8,991	8,991
Total Liabilities	<u>140,684</u>	<u>8,991</u>	<u>149,675</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance</u>			
Nonspendable, not in spendable form	25,385	-	25,385
Unassigned	1,271,549	-	1,271,549
	<u>1,296,934</u>	<u>-</u>	<u>1,296,934</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,437,618</u>	<u>\$ 8,991</u>	<u>\$ 1,446,609</u>

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

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2017

Total Fund Balance - Governmental Funds	\$ 1,296,934
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$1,864,083 net of accumulated depreciation of \$1,202,332 used in governmental activities are not financial resources and therefore are not reported in the fund.	661,751
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Long-term reivable from other divisions of Somerset Academy, Inc. in governmental activities are not financial resources and therefore are not reported in the governmental funds.	<u>925,000</u>
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Total Net Position - Governmental Activities	<u>\$ 2,883,685</u>
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The accompanying notes are an integral
part of this financial statement.

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2017

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 133,590	\$ 133,590
State passed through local	2,798,139	-	2,798,139
Federal sources	-	38,345	38,345
Lunch program fees	-	58,623	58,623
Charges and other revenue	440,262	-	440,262
Total Revenues	3,238,401	230,558	3,468,959
Expenditures:			
Current			
Instruction	1,609,416	-	1,609,416
Board	10,110	-	10,110
Instructional staff training	6,321	-	6,321
School administration	414,764	-	414,764
Facilities acquisition	-	-	-
Fiscal services	60,075	-	60,075
Food services	-	107,082	107,082
Central services	87,403	-	87,403
Operation of plant	446,601	133,590	580,191
Maintenance of plant	114,064	-	114,064
Total Expenditures	2,748,754	240,672	2,989,426
Excess (deficit) of revenues over expenditures	489,647	(10,114)	479,533
Other financing sources (uses)			
Transfers in (out)	(10,114)	10,114	-
Advances to other divisions of Somerset Academy Inc.	(700,000)	-	(700,000)
Net change in fund balance	(220,467)	-	(220,467)
Fund Balance at beginning of year	1,517,401	-	1,517,401
Fund Balance at end of year	\$ 1,296,934	\$ -	\$ 1,296,934

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

Somerset Academy Elementary School (South Miami Campus)
(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, 2017

Net Change in Fund Balance - Governmental Funds	\$ (220,467)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$0 differed from depreciation expense of \$88,720.	(88,720)
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Issuance of long term receivables represents a financial expenditure in the governmental funds, but increases 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 the increase of \$700,000 in long-term receivables exceeded the collections of \$0 in the current period.	700,000
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Change in Net Position of Governmental Activities	<hr/> \$ 390,813 <hr/>
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The accompanying notes are an integral part of this financial statement.

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Net Position - Fiduciary Funds
June 30, 2017

<u>Assets</u>	<u>Agency Funds</u>
Cash	<u>\$ 26,189</u>
Total Assets	<u>26,189</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Due to students and clubs	<u>26,189</u>
Total Liabilities	<u>26,189</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	<u>\$ -</u>

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

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Elementary School (South Miami Campus) (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 of directors has determined that no component units exist that would require inclusion in the School's financial statements.

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

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 year ended June 30, 2017, when approximately 400 students were enrolled for the school year.

Basis of Presentation

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

Deferred Outflows/Inflows of Resources

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

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, equity, revenues and expenditures. The School reports the following major governmental funds with all other non-major funds aggregated in a single column:

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.

Additionally, the School reports separately the following fiduciary fund types:

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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting-continued

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

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 deposit and investment policy that limits the School’s allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (see Note 3).

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

Inter-fund Transfers

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

Due from Other Governments or Agencies

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

Capital Assets

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

Improvements	10-15 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

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.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets and long term receivables."

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. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned fund balances at year end.
- e) Unassigned - 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 1 – Summary of Significant Accounting Policies (continued)

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 30, 2017, 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, 2017:

	Balance 07/01/16	Additions	Retirements	Balance 06/30/17
Capital Assets:				
Buildings and Improvements	\$ 958,929	\$ -	\$ -	\$ 958,929
Computer equipment and software	337,977	-	-	337,977
Furniture, equipment and textbooks	567,177	-	-	567,177
Total Capital Assets	<u>\$ 1,864,083</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,864,083</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(325,195)	(47,509)	-	(372,704)
Computer equipment and software	(276,402)	(20,878)	-	(297,280)
Furniture, equipment and textbooks	(512,015)	(20,333)	-	(532,348)
Total Accumulated Depreciation	<u>(1,113,612)</u>	<u>(88,720)</u>	<u>-</u>	<u>(1,202,332)</u>
Capital Assets, net	<u>\$ 750,471</u>	<u>\$ (88,720)</u>	<u>\$ -</u>	<u>\$ 661,751</u>

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 2 –Capital Assets (continued)

For the fiscal year ended June 30, 2017, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	35,262
Facilities acquisition		44,681
Food service		81
Operation of plant		8,696
Total Depreciation Expense	\$	<u>88,720</u>

Note 3 – Cash, Cash Equivalents and InvestmentsDeposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2017, the School's deposits consisted of cash balances of \$218,525.

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, 2017, bank balances in potential excess of FDIC coverage was approximately \$288,626; including fiduciary account bank balances.

Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. 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, 2017, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$1,150,000 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 July 31, 2017, the fund's annual report, maturities of the fund's portfolio holdings are approximately 79% 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.

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 3 – Cash, Cash Equivalents and Investments (continued)

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, 2017, 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 Services and Support Provider Agreement

Academica Dade, LLC, a professional education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services.

The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2017, the School incurred approximately \$180,225 in fees.

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

Note 5 – Transactions with other divisions of Somerset Academy, Inc.

The School shares a facility and lease with Somerset Academy Charter Middle School – South Miami Campus which is another charter school under Somerset Academy, Inc. (See note 6). As a result certain activities such as fundraising activities are recorded in the books of the School and not in those of Somerset Academy Charter Middle School – South Miami Campus.

In addition, the School has made long term, non-interest bearing advances to other divisions of Somerset Academy, Inc. The following schedule provides a summary of changes in long-term advances for the year ended June 30, 2017:

	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
Somerset Academy, Inc. (corporate)	\$ -	\$ 700,000	\$ -	\$ 700,000
Somerset Bay	225,000	-	-	225,000
Total Long Term Receivable	<u>\$ 225,000</u>	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 925,000</u>

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 5 – Transactions with other divisions of Somerset Academy, Inc. (continued)

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

Somerset Academy, Inc. (the "Corporation") charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2017, the School paid \$40,050 to the Corporation for these shared costs.

Note 6 – Commitments, Contingencies and Concentrations

The School entered into a lease and security agreement with Somi Group, LLC, Inc. for its 27,269 square foot facility. The facility will be shared with Somerset South Miami Middle. The Landlord is an affiliate of the School's education services and support provider (See Note 4). Fixed annual payments under this agreement (based on \$21.85 per square foot) are approximately \$451,824, net of enrollment discounts, adjusted annually based on Consumer Price Index (CPI). The agreement continues through July 31, 2029. Under the agreement, the School must meet certain covenants and requirements, including a "Lease Payment Coverage Ratio" of not less than 1.10 to 1.00.

Under the agreement, the School will reimburse the landlord for tenant improvements. In addition, under the terms of the lease, the landlord agreed to certain enrollment period discounts. The discount for the year ended June 30, 2017 was approximately \$3,000 for the full lease. Included in statement of net position as due from landlord as of June 30, 2017.

Lease payments are allocated among the two schools based on enrollment and usage of facility. The allocation used for 2017, was 66% for the School and 34% for Somerset Academy Charter Middle School. For 2017, rent expense net of enrollment discounts totaled \$440,396.

Future minimum payments for the full lease, net of enrollment discounts (excluding common area maintenance costs) are as follows:

Year	Base Rent
2018	\$670,749
2019	\$670,749
2020	\$670,749
2021	\$670,749
2022	\$670,749
2023-2027	\$3,353,745 (for a five year period)
2028-2029	\$1,341,498 (for a two year period)

Somerset Academy Elementary School (South Miami Campus)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2017

Note 6 – Commitments, Contingencies and Concentration (continued)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 2% of the qualifying revenues of the School. For the year ended June 30, 2017, administrative fees withheld by the School District totaled \$34,580.

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 PlanPost-retirement Benefits

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School will match 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$21,017 for the year ended June 30, 2017. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Elementary School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2017

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,688,000	\$ 2,783,375	\$ 2,798,139
Charges and other revenue	325,190	435,915	440,262
Total Revenues	<u>3,013,190</u>	<u>3,219,290</u>	<u>3,238,401</u>
EXPENDITURES			
Current:			
Instruction	1,433,521	1,620,554	1,609,416
Instructional Staff Training	5,000	7,000	6,321
Board	51,000	11,050	10,110
School Administration	361,142	417,638	414,764
Fiscal Services	60,000	60,075	60,075
Central Services	108,000	88,075	87,403
Operation of Plant	459,265	464,315	446,601
Maintenance of Plant	132,500	132,500	114,064
Community Services	-	-	-
Total Current Expenditures	<u>2,610,428</u>	<u>2,801,207</u>	<u>2,748,754</u>
Excess of Revenues			
Over Current Expenditures	<u>402,762</u>	<u>418,083</u>	<u>489,647</u>
Debt Service:			
Redemption of Principal	-	-	-
Capital Outlay			
Other Capital Outlay	-	-	-
Total Capital Outlay and			
Debt Service Expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>2,610,428</u>	<u>2,801,207</u>	<u>2,748,754</u>
Excess of Revenues Over Expenditures	402,762	418,083	489,647
Other financing sources (uses):			
Transfers in (out)	-	(13,000)	(10,114)
Rental credits taken from landlord	-	-	-
Repayments to other charter school	-	(700,000)	(700,000)
Net change in fund balance	402,762	(294,917)	(220,467)
Fund Balance at beginning of year	<u>1,517,401</u>	<u>1,517,401</u>	<u>1,517,401</u>
Fund Balance at end of year	<u>\$ 1,920,163</u>	<u>\$ 1,222,484</u>	<u>\$ 1,296,934</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.



CERTIFIED PUBLIC ACCOUNTANTS

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*

Board of Directors of
Somerset Academy Elementary School (South Miami Campus)
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, each major fund, and the aggregate remaining fund information of Somerset Academy Elementary School (South Miami Campus) (the "School") as of, and for the year ended June 30, 2017, 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 30, 2017.

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 from 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 report dated August 30, 2017 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 30, 2017

MANAGEMENT LETTER

Board of Directors of
Somerset Academy Elementary School (South Miami Campus)
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Elementary School (South Miami Campus) as of and for the fiscal year ended June 30, 2017 and have issued our report thereon dated August 30, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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*. Disclosures in those reports and schedule, which are dated August 30, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding financial audit report.

Official Title

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

Financial Condition

Section 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 Elementary School (South Miami Campus) 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 Elementary School (South Miami Campus) did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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Financial Condition (Continued)

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 Elementary School (South Miami Campus). It is management's responsibility to monitor Somerset Academy Elementary School (South Miami Campus)'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 Elementary School (South Miami Campus) 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 Elementary School (South Miami Campus) maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representatives, the Florida Auditor General, School Board of 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.


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
August 30, 2017