



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

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2019

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

2018-2019

BOARD OF DIRECTORS

Todd German, Board Chair & Treasurer
Ana Diaz, Vice-Chair & Secretary
David Concepcion, Director
Jennifer Esquijarosa, Director
Dr. Bernard Kimmel, Director
Louis Marin, Director and Vice-Chair (Texas)
Brian Matthew Cox, Director, elected July 26, 2018
Lourdes Isla, retired January 25, 2019

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Bernardo Montero, President
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SCHOOL ADMINISTRATION

Saili Hernandez, Principal

BOARD COUNSEL

Charles Gibson, Esq.
Eleni Pantaridis, Esq.



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, each major fund and the aggregate remaining fund information of Somerset Academy Bay (the “School”), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2019, 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 Bay, as of June 30, 2019, 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 as of June 30, 2019, 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, 2019 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

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 10, 2019

Management's Discussion and Analysis
Somerset Academy Bay
(A Charter school Under Somerset Academy, Inc.)
June 30, 2019

The corporate officers of Somerset Academy Inc. have prepared this narrative overview and analysis of the Somerset Academy Bay's financial activities for the fiscal year ended June 30, 2019.

Financial Highlights

1. The net position of the School at June 30, 2019 was \$359,641.
2. At year-end, the School had current assets on hand of \$259,502.
3. The School had an increase in its net position of \$3,242 for the year ended June 30, 2019.
4. The unassigned fund balance at year end was \$61,323.

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, 2019 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 or fiduciary 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 \$ 359,641 at the close of the fiscal year. A summary of the School's net position as of June 30, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 54,253	\$ 49,871
Investments	133,000	464,000
Prepaid expenses	45,396	33,185
Due from other agencies	26,853	4,514
Due from other divisions of Somerset Academy Inc., long-term	203,418	43,418
Capital assets, net	<u>274,504</u>	<u>93,709</u>
Total Assets	<u>737,424</u>	<u>688,697</u>
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	152,783	107,298
Due to other divisions of Somerset Academy, Inc.	<u>225,000</u>	<u>225,000</u>
Total Liabilities	<u>377,783</u>	<u>332,298</u>
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets and long term receivable	252,922	-
Unrestricted	<u>106,719</u>	<u>356,399</u>
Total Net Position	<u>\$ 359,641</u>	<u>\$ 356,399</u>

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

A summary and analysis of the School’s revenues and expenses for the year ended June 30, 2019 and 2018 follows:

	<u>2019</u>	<u>2018</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 16,234	\$ -
Capital Outlay Funding	138,197	138,972
Lunch Program	36,897	56,382
Charges for Services	-	1,436
General Revenues		
Local Sources (FTE and other non specific)	2,044,708	2,005,041
Other Revenues	144,836	128,846
Total Revenues	<u>\$ 2,380,872</u>	<u>\$ 2,330,677</u>
EXPENSES		
Instruction	\$ 1,224,528	\$ 1,196,113
Student support services	7,321	2,245
Instructional staff training	4,740	1,247
Board	21,636	22,794
School administration	367,469	325,542
Fiscal services	41,400	41,175
Food services	71,481	95,117
Central services	52,318	48,484
Operation of plant	511,586	484,975
Maintenance of plant	68,556	53,180
Administrative technology services	6,595	7,642
Total Expenses	<u>2,377,630</u>	<u>2,278,514</u>
Increase in Net Position	3,242	52,163
Net Position at Beginning of Year	356,399	304,236
Net Position at End of Year	<u>\$ 359,641</u>	<u>\$ 356,399</u>

The School’s revenues and expenses increased by \$50,195 and \$99,116, respectively, in the current year. The School had an increase in its net position of \$3,242 for the year.

School Location and Lease of Facility

The School leases a facility located at 9500 SW 97th 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 on average 276 students enrolled in grades kindergarten through fifth.

Achievements

In 2019, Somerset Academy Bay completed its 7th year of operation, increasing enrollment to 296 students in grades K-5. The School earning a letter grade of “A,” and ranked among the top public elementary schools in Miami-Dade County.

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

Being helpful to others is important to students at Somerset Academy Bay. Throughout the year, students demonstrated the significance of giving back to their community by participating in and contributing to causes such as *iPads for Soldiers*, the *Feed Miami* food drive, and *Toys for Tots* toy drive. Students and parents also gave back to their school by participating in school-based fundraisers such as the *Scholastic Book Fai*, *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, they were able to obtain approval to increase enrollment at its campus in the so that it may serve more families in the community. The development of this campus was underway this year, with plans to inaugurate it in August 2019.

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 \$106,719. The fund balance unassigned and available for spending at the School’s discretion is \$61,323. 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, 2019 amounts to \$274,504 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2019, the School had debt totaling \$225,000 associated to its capital assets.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 145,600	\$ 138,412	\$ 138,197
Local capital improvement revenue	-	-	-
Federal sources	15,000	16,000	16,234
Lunch program	35,000	36,500	36,897
General Revenues			
FTE nonspecific revenues	2,017,690	2,042,703	2,044,708
Charges and other revenues	133,426	143,987	144,836
Total Revenues	<u>2,346,716</u>	<u>2,377,602</u>	<u>2,380,872</u>
CURRENT EXPENDITURES			
Instruction	1,367,791	1,199,043	1,181,990
Student support services	7,000	11,523	7,321
Instructional staff training	4,237	5,000	4,740
Board	22,000	22,350	21,636
School administration	275,633	365,397	365,137
Fiscal services	42,000	41,400	41,400
Food services	50,000	72,500	71,281
Central services	45,800	55,293	52,318
Operation of plant	490,000	493,123	487,639
Maintenance of plant	87,675	72,000	68,556
Administrative technology services	42,000	8,000	6,595
Total Current Expenditures	<u>\$ 2,434,136</u>	<u>\$ 2,345,629</u>	<u>\$ 2,308,613</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, 2019

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 54,253
Investments	133,000
Prepaid expenses	45,396
Due from other agencies	26,853
Total current assets	<u>259,502</u>
Capital assets, depreciable	663,026
Less: accumulated depreciation	<u>(388,522)</u>
	274,504
Due from other divisions of Somerset Academy Inc., long-term	<u>203,418</u>
Total Assets	<u>\$ 737,424</u>
 <u>Deferred Outflows of Resources</u>	 <u>-</u>
 <u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	\$ 114,296
Accounts payable	38,487
Total current liabilities	<u>152,783</u>
Due to other divisions of Somerset Academy, Inc.	<u>225,000</u>
Total liabilities	<u>377,783</u>
 <u>Deferred Inflows of Resources</u>	 <u>-</u>
 <u>Net Position</u>	
Net investment in capital assets and long term receivable	252,922
Unrestricted	106,719
Total Net Position	<u>\$ 359,641</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, 2019

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	\$ 1,224,528	\$ -	6,999	\$ -	\$ (1,217,529)
Student support services	7,321	-	-	-	(7,321)
Instructional staff training	4,740	-	-	-	(4,740)
Board	21,636	-	-	-	(21,636)
School administration	367,469	-	-	-	(367,469)
Fiscal services	41,400	-	-	-	(41,400)
Food services	71,481	14,984	21,913	-	(34,584)
Central services	52,318	-	-	-	(52,318)
Operation of plant	511,586	-	-	138,197	(373,389)
Maintenance of plant	68,556	-	9,235	-	(59,321)
Administrative technology services	6,595	-	-	-	(6,595)
Total governmental activities	2,377,630	14,984	38,147	138,197	(2,186,302)
General revenues:					
FTE and other nonspecific revenues					2,044,708
Other revenue					144,836
Change in net position					3,242
Net position, beginning					356,399
Net position, ending					\$ 359,641

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, 2019

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 54,253	\$ -	\$ 54,253
Investments	133,000	-	133,000
Due from other agencies	-	26,853	26,853
Due from fund	26,853	-	26,853
Prepaid expenses	45,396	-	45,396
Total Assets	<u>259,502</u>	<u>26,853</u>	<u>286,355</u>
<u>Deferred Outflows of Resources</u>			
	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>			
Salaries and wages payable	114,296	-	114,296
Accounts payable	38,487	-	38,487
Due to fund	-	26,853	26,853
Total Liabilities	<u>152,783</u>	<u>26,853</u>	<u>179,636</u>
<u>Deferred Inflows of Resources</u>			
	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund balance</u>			
Nonspendable, not in spendable form	45,396	-	45,396
Unassigned	61,323	-	61,323
	<u>106,719</u>	<u>-</u>	<u>106,719</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 259,502</u>	<u>\$ 26,853</u>	<u>\$ 286,355</u>

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
June 30, 2019

Total Fund Balance - Governmental Funds \$ 106,719

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

Capital assets of \$663,026 net of accumulated depreciation of \$388,522 used in governmental activities are not financial resources and therefore are not reported in the fund. 274,504

Non-current assets are not recoverable in the current period and therefore, are not reported in the fund. 203,418

Long term liabilities were not due and payable in the current period and, therefore, are not reported in the fund. (225,000)

Total Net Position - Governmental Activities \$ 359,641

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, 2019

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues:			
State passed through local	\$ 2,044,708	\$ -	\$ 2,044,708
State capital outlay funding	-	138,197	138,197
Federal sources	-	16,234	16,234
Lunch program	-	36,897	36,897
Charges and other revenue	144,836	-	144,836
Total Revenues	2,189,544	191,328	2,380,872
Expenditures:			
Current			
Instruction	1,174,991	6,999	1,181,990
Student support services	7,321	-	7,321
Instructional staff training	4,740	-	4,740
Board	21,636	-	21,636
School administration	365,137	-	365,137
Fiscal services	41,400	-	41,400
Food services	-	71,281	71,281
Central services	52,318	-	52,318
Operation of plant	349,442	138,197	487,639
Maintenance of plant	68,556	-	68,556
Administrative technology services	6,595	-	6,595
Capital Outlay:			
Other capital outlay	247,412	2,400	249,812
Total Expenditures	2,339,548	218,877	2,558,425
Excess (deficit) of revenues over expenditures	(150,004)	(27,549)	(177,553)
Transfers in (out)	(27,549)	27,549	-
Increase in long-term advances	(160,000)	-	(160,000)
Net change in fund balance	(337,553)	-	(337,553)
Fund Balance at beginning of year	444,272	-	444,272
Fund Balance at end of year	\$ 106,719	\$ -	\$ 106,719

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, 2019

Net Change in Fund Balance - Governmental Funds \$ (337,553)

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 \$249,812 exceeded depreciation expense of \$69,017 180,795

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 advances of long term receivables of \$160,000 exceeded collections of \$-0- in the current period. 160,000

Change in Net Position of Governmental Activities \$ 3,242

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, 2019

	<u>Agency Funds</u>
<u>Assets</u>	
Cash	<u>\$ 7,282</u>
Total Assets	<u>7,282</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Due to students and clubs	7,282
Total Liabilities	<u>7,282</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.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Bay (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The School's charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of seven 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, 2032 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes

The School is located in Miami, Florida for students from kindergarten through fifth grade and is funded by the District. These financial statements are for the period through June 30, 2019, when on average 276 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

Government Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements 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 funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all 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 the following fiduciary fund types:

Agency Fund – accounts for resources of the Schools' Internal Fund which is used to administer monies collected at the schools in connection with school, student activities, class, and club activities.

Measurement Focus and Basis of Accounting

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

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

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available.

Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Note 1 – Summary of Significant Accounting Policies (continued)

Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

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 2).

Inter-fund Transfers

Inter-fund receivables/payables ("due from/to") are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	5 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

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.

Compensated Absences

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

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

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

Deferred Outflows/Inflows of Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources

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

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. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Net Position and Fund Balance Classifications

Government-wide financial statements

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Fund financial statements

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. 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. 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 unassigned fund balance. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Income Taxes

Somerset Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 10, 2019, 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, 2019:

	Balance 07/01/18	Additions	Retirements / Deletions	Balance 06/30/19
Capital Assets:				
Depreciable:				
Computer equipment and software	\$ 153,808	\$ 24,457	\$ -	\$ 178,265
Improvements	89,585	-	-	89,585
Furniture, equipment and textbooks	169,821	225,355	-	395,176
Total Capital Assets	<u>\$ 413,214</u>	<u>\$ 249,812</u>	<u>\$ -</u>	<u>\$ 663,026</u>
Less Accumulated Depreciation:				
Computer equipment and software	\$ (130,107)	\$ (17,935)	\$ -	\$ (148,042)
Improvements	(45,353)	(14,356)	-	(59,709)
Furniture, equipment and textbooks	(144,045)	(36,726)	-	(180,771)
Total Accumulated Depreciation	<u>(319,505)</u>	<u>(69,017)</u>	<u>-</u>	<u>(388,522)</u>
Capital Assets, net	<u>\$ 93,709</u>	<u>\$ 180,795</u>	<u>\$ -</u>	<u>\$ 274,504</u>

For the fiscal year ended June 30, 2019, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 42,538
School administration	2,332
Food service	200
Operation of plant	23,947
Total Depreciation Expense	<u>\$ 69,017</u>

Note 3 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2019, the School's deposits consisted of cash balances of \$14,873.

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, 2019, bank balances in potential excess of FDIC coverage was approximately \$65,000; 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, 2019, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$170,000 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, 2019, maturities of the fund's portfolio holdings are approximately 81% within 30 days.

Credit Risk

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

Custodial credit risk is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2019, 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.

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

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

Note 4 – Education Service and Support Provider

Academica Dade, LLC, an education service and support provider, provides administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual services. The agreement between the School and the education service and support provider calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2019, the School incurred \$124,200 in fees.

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

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

Charter Schools under Somerset Academy Inc. 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, 2019:

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Due to Somerset South Miami, long-term	\$ 225,000	\$ -	\$ -	\$ 225,000
Total long term payables	<u>\$ 225,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,000</u>

Somerset Academy, Inc. charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2019, the School paid \$41,402 to Somerset Academy, Inc. for these shared costs.

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

Recoverable Grant

The School receives recoverable grants from Somerset Academy, Inc. The purpose of these grants is for the School to fund operating expenses. Under the terms, the School would repay the corporate account of Somerset Academy, Inc. contingent on subsequently meeting certain financial conditions. The School received \$800,000 in recoverable grants throughout prior periods from Somerset Academy, Inc. The School repaid \$50,000 to Somerset Academy, Inc. as of June 30, 2018. To date, management has determined that the School has not met the requirements for repayment under the grant terms. The maximum amount the School may be required to pay in the future should the school meet the requirements for repayment is \$750,000.

Somerset Academy Bay PTO

During the year ended June 30, 2019, the Somerset Academy Parent Teacher Organization awarded the School \$100,000 to be used on teacher aides for students.

Note 6 – Commitments, Contingencies and Concentrations

Bond Issue and Repayment

On December 6, 2017, the Somerset Academy Inc. (“Charter Holder”) entered into a Financing Agreement (“Agreement”) with a Lender and the Miami-Dade County Industrial Development Authority (“Issuer”) whereby the Issuer issued its Miami-Dade County Industrial Development Authority Revenue Bond (Somerset Academy Project), Series 2017, in a principal amount of up to \$12,000,000 (the “Bond”) on behalf of the Charter Holder. Pursuant to the terms of the Agreement, Lender shall, through the purchase of the Series 2017 Bond, lend to the Organization an amount equal to \$12,000,000 (the “Loan”), which Loan shall be disbursed in accordance with the Agreement.

The proceeds of the Bond issue will be used for the financing of construction of educational facilities consisting of a new two (2) story classroom, multi-purpose room and administrative offices building containing approximately thirty-four thousand (34,000) square feet, to be constructed on the Project Land, and renovations to the existing structure currently situated on the Project Land and for the costs associated with the issuance of the Series 2017 Bond and the Loan.

The Loan is secured by a first mortgage on the Project Land owned by the Charter Holder and escrow funds as required per Agreement. The Project Land consists of the Charter Holder’s current site for the School and Somerset Bay Middle located at 9500 SW 97 Avenue and 9600 SW 97 Avenue in Miami, Florida, respectively.

Through a Usage Fee Agreement approved by the Board of Directors of the Charter Holder, all Capital and Operating costs as defined herein will be due on a monthly basis. The School shall pay the Charter Holder the sum of \$1,100 per year for each student enrolled in the School year, but not less than a combined 290 students for a minimum annual guarantee of \$319,000. In addition, the School will be responsible on a pro rata basis based upon enrollment for the payment of all insurance, property taxes, management fees, repairs and maintenance, replacements and restorations of loss or damage of whatever kind in connection with the property.

Note 6 – Commitments, Contingencies and Concentrations (continued)

Usage fee payments are allocated between the School and Somerset Bay Middle School based on enrollment and usage of facility. The allocation used for 2019, was approximately 25% for Somerset Bay Middle School and 75% for the School. For 2019, rent expense totaled \$303,600.

The School’s debt agreements contain various covenants, restrictions and financial test requirements. In the event an instance of default is not remedied, the maturity can be accelerated and / or the underlying collateral may be subject to foreclosure.

The debt service on the tax-exempt bond financing for the Charter Holder (which will be allocated between the two Schools) is as follows:

Year Ending June 30,	Principal	Interest
2020	\$ 366,911	\$ 328,420
2021	378,095	317,237
2022	388,694	306,638
2023	399,590	295,741
2024	410,013	285,318
2025-2029	2,232,509	1,244,147
2030-2034	2,563,610	913,046
2035-2039	2,943,823	532,833
2040-2042	2,316,755	116,904
	<u>\$ 12,000,000</u>	<u>\$ 4,340,284</u>

The School had a long-term receivable in connection with a deposit made on behalf of Somerset Academy, Inc. in connection to the purchase of the land and property leased in the Educational Facilities Lease Agreement. The following schedule provides a summary of changes in the corresponding deposit, design costs, and long-term debt due from Somerset Academy, Inc. for the year ended June 30, 2019:

	Balance 07/01/18	Additions	Deletions	Balance 06/30/19
Due from Somerset Academy, Inc., long-term	<u>\$ 43,418</u>	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 203,418</u>
Total long-term receivables	<u>\$ 43,418</u>	<u>\$ 160,000</u>	<u>\$ -</u>	<u>\$ 203,418</u>

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Note 6 – Commitments, Contingencies and Concentrations (continued)

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, 2019, administrative fees withheld by the School District totaled \$36,258.

Note 7 – Inter-fund Transfers

Inter-fund transfers in governmental funds as of June 30, 2019 consist of the following:

	General Fund	Non-Major Governmental Funds
To fund lunch deficit	\$ (36,984)	\$ 36,984
Reimbursement from Restart Grant for prior period expenditures	9,235	(9,235)
Total Transfers, net	<u>\$ (27,749)</u>	<u>\$ 27,749</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 10,619	\$ (10,619)
Due to General Fund from Special Revenue Fund for Title IV	6,999	(6,999)
Due to General Fund from Special Revenue Fund for Restart Grant	9,235	(9,235)
Total Due from/(Due to)	<u>\$ 26,853</u>	<u>\$ (26,853)</u>

Note 8 – 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.

The School has entered into a strategic relationship with ADP TotalSource Group, Inc., a human resource management firm, typically known as “Professional Employer Organization” (PEO). Under a co-employment agreements, the PEO is the employer of record and is responsible for administering payroll, payroll taxes, provide employee benefits and assist with human resources and risk management. Accordingly, certain human resource related risks are transferred to the PEO. Nevertheless, the School may be subject to risks, including loss, penalties and fines related to employment practices, administrative error and omissions.

Note 9 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School's personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School will match 100% of the employee's contribution 4% up to of the employee's compensation. The School contributed to the Plan \$38,074 for the year ended June 30, 2019. The School does not exercise any control or fiduciary responsibility over the Plan's assets, which are administered by Voya Financial.

Note 10 – Subsequent Events

On September 9, 2019 the Charter Holder obtained additional financing of \$1,500,000. The new facility is collateralized by the School's premises.

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, 2019

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,017,690	\$ 2,042,703	\$ 2,044,708
Charges and other revenue	133,426	143,987	144,836
Total Revenues	<u>2,151,116</u>	<u>2,186,690</u>	<u>2,189,544</u>
EXPENDITURES			
Current:			
Instruction	1,367,791	1,192,043	1,174,991
Student support services	7,000	11,523	7,321
Instructional staff training	4,237	5,000	4,740
Board	22,000	22,350	21,636
School administration	275,633	365,397	365,137
Fiscal services	42,000	41,400	41,400
Central services	45,800	55,293	52,318
Operation of plant	344,400	354,711	349,442
Maintenance of plant	87,675	72,000	68,556
Administrative technology services	42,000	8,000	6,595
Total Current Expenditures	<u>2,238,536</u>	<u>2,127,717</u>	<u>2,092,136</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>(87,420)</u>	<u>58,973</u>	<u>97,408</u>
Capital Outlay			
Other Capital Outlay	55,000	250,000	247,412
Total Expenditures	<u>2,293,536</u>	<u>2,377,717</u>	<u>2,339,548</u>
Excess (Deficit) of Revenues Over Expenditures	(142,420)	(191,027)	(150,004)
Other financing sources (uses):			
Transfers in (out)	-	(20,000)	(27,549)
Increase in long term advances	-	(160,000)	(160,000)
Net change in fund balance	(142,420)	(371,027)	(337,553)
Fund Balance at beginning of year	<u>444,272</u>	<u>444,272</u>	<u>444,272</u>
Fund Balance at end of year	<u>\$ 301,852</u>	<u>\$ 73,245</u>	<u>\$ 106,719</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*

To the 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, each major fund, and the aggregate remaining fund information of Somerset Academy Bay (the "School") as of, and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 10, 2019.

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 noted certain matters in a separate management letter dated September 10, 2019 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
September 10, 2019



MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Bay as of and for the year ended June 30, 2019 and have issued our report thereon dated September 10, 2019.

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.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 10, 2019, 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 and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854.(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Somerset Academy Bay, (W/L#5062).

Financial Condition and Management

Sections 10.854(1)(e)2 and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Somerset Academy Bay has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify 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.

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 recommendations:

ML – 19-01 CAPITAL ASSETS

Criteria: The School is required to maintain an inventory of capital assets purchased with public funds in accordance with local, state or federal regulations.

Condition: We noted that the School does not have a formal process for reconciling the capital assets inventory report to the capital assets of the Schools trial balance.

Cause: The condition results from school personnel not consistently performing an inventory of all fixed assets and reconciling to the Schools trial balance.

Effect: Failure to perform the procedures mentioned above could result in a misstated Annual Property Inventory.

Recom-
mendation: We recommend that the School perform an annual inventory of all capital assets and reconcile to the capital asset ledgers recorded on the School's books.

Views of-
Responsible
Officials: Management will adhere to auditor's recommendation. The ESSP is assisting the schools with identifying the proper support to ensure schools are in full compliance with inventory requirements.

ML – 19-02 STUDENT RECEIPTS

Criteria: Funds collected from students \$15 or more should be supported by a receipt.

Condition: We observed three instances of missing receipts for transactions over \$15.

Cause: Personnel collecting funds did not provide receipts for amounts \$15 or greater .

Effect: Failure to provide students with receipts could result in misappropriation of receipts.

Recommendation: Personnel collecting funds should adhere to the School’s internal account policy that requires receipts for amounts \$15 or greater.

Views of-
Responsible
Officials: See attached management response

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, require us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note 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
September 10, 2019

SOMERSET ACADEMY BAY ELEMENTARY

September 11th, 2019

HLB Gravier, LLP
396 Alhambra Circle, 9th Floor
Coral Gables, FL 33134

RE: MANAGEMENT'S RESPONSE TO AUDITOR'S RECOMMENDATION

The following is the response by the School's Administrator to your recommendations:

ML – 19-01 INTERNAL ACCOUNT DEPOSITS

Recommendation

Personnel collecting funds should adhere to the School's internal account policy that requires receipts for amounts \$15 or greater.

Management Response

Management will adhere to the auditor's recommendation. School personnel collecting funds will adhere to the School's internal control policies and procedures relating to the internal account so that all cash collections of \$15 or greater are issued a receipt.

Sincerely,



Saily Hernandez
Principal, Somerset Academy Bay