

Somerset Academy Charter Elementary
School (South Homestead)
WL# 0339

(A Charter School under
Somerset Academy Inc.)

Homestead, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2018

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Somerset Academy Charter Elementary School (South Homestead)
WL# 0339

300 SE 1st Avenue
Homestead, FL 33030

2017-2018

BOARD OF DIRECTORS

Lourdes Isla, Board Chair
Todd German, Vice-Chair (Florida), Treasurer, and Director
Louis Marin, Vice Chair (Texas) and Director
Ana Diaz, Secretary and Director
David Concepcion, Director
Dr. Bernard Kimmel, Director
Jennifer Esquijarosa, Director
George B. Ozuna, Member (Texas) and Director – *resigned 4/28/18*
Tony Morales, Director and Student Alumni – *resigned 11/17/17*

SCHOOL ADMINISTRATION

Layda Morales, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President

BOARD COUNSEL

Charles Gibson, Esq.
Eleni Pantaridis, Esq.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Somerset Academy Charter Elementary School (South Homestead)
Homestead, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Charter Elementary School (South Homestead) (the "School"), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2018, 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 Charter Elementary School (South Homestead) as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Charter Elementary School (South Homestead) as of June 30, 2018, 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, 2018 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 September 4, 2018, 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.

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


CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 4, 2018

Management's Discussion and Analysis
Somerset Academy Charter Elementary School (South Homestead)
(A Charter school Under Somerset Academy, Inc.)
June 30, 2018

The corporate officers of Somerset Academy Charter Elementary School (South Homestead) have prepared this narrative overview and analysis of the School's financial activities for the fiscal year ended June 30, 2018.

Financial Highlights

1. The net position of the School at June 30, 2018 was \$4,196,464.
2. At year-end, the School had current assets on hand of \$3,235,863.
3. The School had an increase in its net position of \$786,093 for the year ended June 30, 2018.
4. The unassigned fund balance at year end was \$2,805,955.

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, 2018 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 9 - 10 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Government Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

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

The basic governmental fund financial statements can be found on pages 11 – 15 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 - 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$4,196,464 at the close of the fiscal year. A summary of the School's net position as of June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
Cash and cash equivalents	\$ 199,350	\$ 138,114
Investments	2,920,000	2,053,000
Due from landlord, current	37,020	55,538
Prepaid expenses and other current assets	73,334	44,247
Due from other agencies	6,159	15,280
Capital Assets, net	236,228	255,459
Due from charter holder	750,000	750,000
Due from landlord, long-term	293,927	266,753
Total Assets	<u>4,516,018</u>	<u>3,578,391</u>
Deferred outflows of resources	-	-
Salaries and wages payable	182,418	168,020
Accounts payable	137,136	-
Total Liabilities	<u>319,554</u>	<u>168,020</u>
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets and long term receivables	1,280,155	1,272,212
Unrestricted	2,916,309	2,138,159
Total Net Position	<u>\$ 4,196,464</u>	<u>\$ 3,410,371</u>

At the end of the fiscal year, the School is able to report positive balances in total net position. The same situation held true for the prior fiscal year.

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2018 and 2017 is as follows:

	<u>2018</u>	<u>2017</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 195,534	\$ 117,746
Capital Grants and Contributions	353,140	275,644
Lunch Program	206,809	226,637
General Revenues		
Local Sources (FTE non specific)	3,817,235	3,655,074
Charges for services and other revenues	142,627	53,863
Total Revenues	<u>\$ 4,715,345</u>	<u>\$ 4,328,964</u>
EXPENSES		
Instruction	\$ 2,144,235	\$ 1,718,476
Student support services	13,721	-
Instructional staff training	4,810	6,203
Board	29,531	9,500
School administration	443,804	568,135
Facilities acquisition	4,600	9,864
Fiscal services	79,350	76,875
Food services	290,086	254,690
Central services	102,617	104,212
Operation of plant	721,798	648,964
Maintenance of plant	79,215	47,101
Administrative technology services	15,485	-
Total Expenses	<u>3,929,252</u>	<u>3,444,020</u>
Increase in Net Position	786,093	884,944
Net Position at Beginning of Year	3,410,371	2,525,427
Net Position at End of Year	<u>\$ 4,196,464</u>	<u>\$ 3,410,371</u>

The School's revenues and expenditures increased by \$386,381 and \$485,232, respectively as a result of an increase in student enrollment. The School had an increase in its net position of \$786,093 for the year.

School Location and Lease of Facility

The School leases a facility located at 300 SE 1st Avenue, Homestead, Florida 33030.

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 529 students enrolled in grades kindergarten through fifth.

Accomplishments

In 2018, Somerset Academy South Homestead (Somerset SoHo) completed its 10th year of operation, enrolling 529 students in grades K-5. The School earned a letter grade of “B” under the State of Florida Accountability Program.

This past year, Somerset SoHo students were recognized for various academic and extracurricular achievements and participated in activities such as the Baking Club, Green Bean Garden Club, Kids Care Club, and Sewing Club. Somerset SoHo students also participated in KAPOW (Kids And the Power Of Work), which offers a unique program through a national network of business and elementary school partnerships which introduces students to career awareness through professionally developed lessons taught by business volunteers in the classroom. Sports offerings at the school include Basketball, Cheerleading and Dance, Football and Soccer. In addition, Somerset SoHo offers a high quality extra-curricular program of activities and is a member of the Early Learning Coalition and the National Junior Honor Society.

Throughout the year, students demonstrated the significance of giving back to their community by participating in community service projects and activities. Somerset SoHo families also contributed greatly to the school by participating in activities such as the Spaghetti Dinner, the Monthly Parent Workshops and the SoHo Festival.

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

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 \$2,879,289. The fund balance unassigned and available for spending at the School’s discretion is \$2,805,955. 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, 2018 amounts to \$236,228 (net of accumulated depreciation). This investment in capital assets includes improvements audiovisual and software, furniture, fixtures and computer equipment. As of June 30, 2018, the School had no long term debt relating to capital assets.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 200,341	\$ 199,176	\$ 198,365
Local capital improvement revenue	156,341	155,361	154,775
Federal sources	390,050	390,300	390,406
Lunch program fees	14,050	10,500	11,937
General Revenues			
FTE and other nonspecific revenues	3,753,750	3,812,065	3,817,235
Charges for services and other revenues	73,600	120,650	142,627
Total Revenues	<u>\$ 4,588,132</u>	<u>\$ 4,688,052</u>	<u>\$ 4,715,345</u>
CURRENT EXPENDITURES			
Instruction	\$ 2,068,054	\$ 2,069,178	\$ 2,067,571
Student support services	24,238	15,745	13,721
Instructional staff training	6,000	5,469	4,810
Board	43,500	35,412	29,531
School administration	489,921	453,127	443,741
Fiscal services	88,750	81,970	79,350
Food services	214,050	290,170	288,963
Central services	112,895	109,850	102,617
Operation of plant	746,682	706,362	699,414
Maintenance of plant	80,600	80,100	79,215
Administrative technology services	21,940	15,746	15,485
Total Current Expenditures	<u>\$ 3,896,630</u>	<u>\$ 3,863,129</u>	<u>\$ 3,824,418</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 Charter Elementary School (South Homestead)
 (A charter school under Somerset Academy, Inc.)

Statement of Net Position
 June 30, 2018

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 199,350
Investments	2,920,000
Due from landlord, current	37,020
Due from other agencies	6,159
Prepaid expenses and other current assets	<u>73,334</u>
	3,235,863
Due from charter holder	750,000
Due from landlord, long-term	293,927
Capital assets, depreciable	1,129,019
Less: accumulated depreciation	<u>(892,791)</u>
	<u>236,228</u>
Total Assets	<u>4,516,018</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	182,418
Accounts payable	<u>137,136</u>
Total Liabilities	319,554
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets and long term receivables	1,280,155
Unrestricted	<u>2,916,309</u>
Total Net Position	<u>\$ 4,196,464</u>

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

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

Statement of Activities

For the year ended June 30, 2018

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	\$ 2,144,235	\$ 92,194	\$ 195,534	\$ -	\$ (1,856,507)
Student support services	13,721	-	-	-	(13,721)
Instructional staff training	4,810	-	-	-	(4,810)
Board	29,531	-	-	-	(29,531)
School administration	443,804	-	-	-	(443,804)
Facilities acquisition	4,600	-	-	-	(4,600)
Fiscal services	79,350	-	-	-	(79,350)
Food services	290,086	11,937	194,872	-	(83,277)
Central services	102,617	-	-	-	(102,617)
Operation of plant	721,798	-	-	353,140	(368,658)
Maintenance of plant	79,215	-	-	-	(79,215)
Administrative technology services	15,485	-	-	-	(15,485)
Total governmental activities	3,929,252	104,131	390,406	353,140	(3,081,575)
General revenues:					
FTE and other nonspecific revenues					3,817,235
Other revenues					<u>50,433</u>
Change in net position					786,093
Net position, beginning					<u>3,410,371</u>
Net position, ending					<u>\$ 4,196,464</u>

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

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

Balance Sheet - Governmental Funds
June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund- Non- Major	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 199,350	\$ -	\$ -	\$ 199,350
Investments	2,920,000	-	-	2,920,000
Due from other agencies	-	-	6,159	6,159
Due from fund	6,159	-	-	6,159
Prepaid expenses and other current assets	73,334	-	-	73,334
Total Assets	<u>3,198,843</u>	<u>-</u>	<u>6,159</u>	<u>3,205,002</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	182,418	-	-	182,418
Due to fund	-	-	6,159	6,159
Accounts payable	137,136	-	-	137,136
Total Liabilities	<u>319,554</u>	<u>-</u>	<u>6,159</u>	<u>325,713</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	73,334	-	-	73,334
Unassigned	2,805,955	-	-	2,805,955
	<u>2,879,289</u>	<u>-</u>	<u>-</u>	<u>2,879,289</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 3,198,843</u>	<u>\$ -</u>	<u>\$ 6,159</u>	<u>\$ 3,205,002</u>

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

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balance - Governmental Funds \$ 2,879,289

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

Capital assets of \$1,129,019 net of accumulated depreciation of \$892,791 used in governmental activities are not financial resources and therefore are not reported in the fund. 236,228

Receivables of \$1,080,947 are considered long term and not a financial resources and therefore not reported in the governmental funds. 1,080,947

Total Net Position - Governmental Activities \$ 4,196,464

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2018

	General Fund	Special Revenue Fund	Capital Projects Fund- Non-Major	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 198,365	\$ 198,365
State passed through local	3,817,235	-	-	3,817,235
Local capital improvement revenue	-	-	154,775	154,775
Federal sources	-	390,406	-	390,406
Lunch program fees	-	11,937	-	11,937
Charges for services and other revenues	142,627	-	-	142,627
Total Revenues	3,959,862	402,343	353,140	4,715,345
Expenditures:				
Current				
Instruction	1,872,037	195,534	-	2,067,571
Student support services	13,721	-	-	13,721
Instructional staff training	4,810	-	-	4,810
Board	29,531	-	-	29,531
School administration	443,741	-	-	443,741
Facilities acquisition	-	-	-	-
Fiscal services	79,350	-	-	79,350
Food services	-	288,963	-	288,963
Central services	102,617	-	-	102,617
Operation of plant	346,274	-	353,140	699,414
Maintenance of plant	79,215	-	-	79,215
Administrative technology services	15,485	-	-	15,485
Capital Outlay:				
Other capital outlay	85,603	-	-	85,603
Total Expenditures	3,072,384	484,497	353,140	3,910,021
Excess (deficit) of revenues over expenditures	887,478	(82,154)	-	805,324
Other financing sources (uses)				
Transfers in (out)	(82,154)	82,154	-	-
Long-term advance from landlord	(8,656)	-	-	(8,656)
Net change in fund balance	796,668	-	-	796,668
Fund Balance at beginning of year	2,082,621	-	-	2,082,621
Fund Balance at end of year	\$ 2,879,289	\$ -	\$ -	\$ 2,879,289

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

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2018

Net Change in Fund Balance - Governmental Funds \$ 796,668

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 \$85,603 differed from depreciation expense of \$104,834. (19,231)

Governmental funds report long-term receivables as expenditures. However, in the statement of activities, this increases long-term assets. This is the amount by which issuance of long-term receivables of \$8,656 differed from proceeds from repayments of \$0. 8,656

Change in Net Position of Governmental Activities \$ 786,093

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

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

Statement of Net Position - Fiduciary Funds
June 30, 2018

<u>Assets</u>	<u>Agency funds</u>
Cash	<u>\$ 79,996</u>
Total Assets	<u>79,996</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Due to students and clubs	<u>79,996</u>
Total Liabilities	79,996
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	<u>\$ -</u>

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

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Charter Elementary School (South Homestead) (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the "District"). The Schools' 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 of directors has determined that no component units exists that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2022 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Homestead, Florida for students from kindergarten through fifth grades and is funded by the District. These financial statements are for the year ended June 30, 2018, on average 529 students were enrolled for the school year.

Basis of Presentation

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

Deferred Outflows/Inflows of Resources

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

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 Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. Other revenue sources not included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary 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.

Special Revenue Fund - accounts for specific revenue, such as the federal lunch program and other grants that are legally restricted to expenditures for particular purposes.

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

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

Measurement Focus and Basis of Accounting

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

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.

Note 1 – Summary of Significant Accounting Policies (continued)

The School recognizes assets of non-exchange transactions in the period when the underlying transactions 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.

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.

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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* (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.

The School operates one lunch site that is part of the charter holder National School Lunch program. During the year, the combined operations of all sites operated at a deficit that was funded by the general fund. Accordingly, any deficit or excess in an individual charter school is transferred to the general fund.

Due from Other Governments or Agencies

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

Capital Assets

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

Improvements	5-7 Years
Furniture and Equipment	5 Years
Textbooks and Software	3 Years

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

Compensated Absences

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

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

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

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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 receives 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 components:

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

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories list 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). All nonspendable balances at year end relate to not in spendable form assets.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 1 – Summary of Significant Accounting Policies (continued)

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

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.

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 4, 2018, which is the date the financial statements were available to be issued.

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.

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 2 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2018, the School's deposits consisted of cash balances of \$14,432.

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, 2018, bank balances in potential excess of FDIC coverage was \$214,310; 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, 2018, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$2,920,000 valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of January 31, 2018, maturities of the fund's portfolio holdings are approximately 59% 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 (Regions Bank) 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, 2018, 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.

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 2 – 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 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2018:

	Balance 07/01/17	Additions	Retirements	Balance 06/30/18
Capital Assets:				
Improvements	\$ 141,312	\$ 45,179	\$ -	\$ 186,491
Furniture, equipment and textbooks	902,104	40,424	-	942,528
Total Capital Assets	<u>1,043,416</u>	<u>85,603</u>	-	<u>1,129,019</u>
Less Accumulated Depreciation:				
Improvements	(96,517)	(20,691)	-	(117,208)
Furniture, equipment and textbooks	(691,440)	(84,143)	-	(775,583)
Total Accumulated Depreciation	<u>(787,957)</u>	<u>(104,834)</u>	-	<u>(892,791)</u>
Capital Assets, net	<u>\$ 255,459</u>	<u>\$ (19,231)</u>	<u>\$ -</u>	<u>\$ 236,228</u>

For the fiscal year ended June 30, 2018, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 76,664
School administration	63
Facilities acquisition	4,600
Food services	1,123
Operation of plant	22,384
Total Depreciation Expense	<u>\$ 104,834</u>

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

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 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, 2018, the School incurred \$238,050 in management fees.

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

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

Somerset Academy, Inc. charges all its affiliated schools an assessment for shared corporate costs and accreditation expenses. Somerset Academy Charter Elementary School (South Homestead) paid Somerset Academy, Inc. approximately \$79,125 in connection with these charges during the year.

During the current year, the School made non-interest bearing advances of \$750,000 to the charter holder.

Note 6 – Commitments, Concentrations and Contingencies

The School entered into a lease agreement with the Archdiocese of Miami, Inc. for its 4,522 square feet building including all outdoor areas and other improvements. Fixed initial annual payments under this agreement were initially \$299,526 adjusted annually based on the Consumer Price Index (CPI) plus \$700 per student, per year for every student enrolled at the facility in excess of 299 students. Additional property costs including repairs, maintenance and insurance. On August 16, 2010, the School entered in to an amendment to the lease agreement that reduced the facilities annual usage reimbursement to \$229,526, and maintained the rest of the terms from the original lease agreement. The agreement continues through August 15, 2025 with one automatic renewal for two years. For 2018, the School’s rent expense totaled approximately \$437,000.

Future minimum payments under the lease are as follows:

Year	
2019	\$450,677
2020	\$450,677
2021	\$450,677
2022	\$450,677
2023	\$450,677
2024-2025	\$901,354

Somerset Academy Charter Elementary School (South Homestead)
 (A charter school under Somerset Academy, Inc.)
 Notes to Financial Statements
 June 30, 2018

Note 6 – Commitments, Concentrations and Contingencies (continued)

On January 9, 2017, the School entered into an addendum to their lease agreement. Pursuant to the addendum, the School agreed to advance the costs of certain improvements on the leased premises for an amount up to \$333,229. The landlord has agreed to reimburse the School for the actual cost of these improvements through a credit to the School’s annual rent for the lesser of \$3,085 from the monthly usage reimbursement. The School’s rent shall abate in this manner until the cost of the improvement has been repaid. In the event the lease agreement is terminated or not renewed, the landlord will reimburse the School for the remaining cost of improvements outstanding at the time of termination.

The cost of these improvements advanced by the School and due from the landlord under the terms of the lease consists of the following at June 30, 2018:

Cost of improvements receivable from landlord	\$ 352,545
Less: Rental credit applied during the year	<u>(21,598)</u>
	330,947
Less: Current portion of receivable from landlord	<u>(37,020)</u>
Long-term receivable from landlord	<u>\$ 293,927</u>

Contingencies and Concentrations

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

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2018, administrative fees withheld by the School District totaled \$91,210.

Somerset Academy Charter Elementary School (South Homestead)

(A charter school under Somerset Academy, Inc.)

Notes to Financial Statements

June 30, 2018

Note 7 – Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 8 – Defined Contribution Retirement Plan

The School's personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan, the School approved a match of 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$28,400 for the year ended June 30, 2018. The School does not exercise any control or fiduciary responsibility over the Plan's assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2018

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 3,753,750	\$ 3,812,065	\$ 3,817,235
Charges for services and other revenues	73,600	120,650	142,627
Total Revenues	<u>3,827,350</u>	<u>3,932,715</u>	<u>3,959,862</u>
EXPENDITURES			
Current:			
Instruction	1,868,054	1,870,657	1,872,037
Student support services	24,238	15,745	13,721
Instructional staff training	6,000	5,469	4,810
Board	43,500	35,412	29,531
School administration	489,921	453,127	443,741
Fiscal services	88,750	81,970	79,350
Central services	112,895	109,850	102,617
Operation of plant	390,000	351,825	346,274
Maintenance of plant	80,600	80,100	79,215
Administrative technology services	21,940	15,746	15,485
Total Current Expenditures	<u>3,125,898</u>	<u>3,019,901</u>	<u>2,986,781</u>
Excess of Revenues Over Current Expenditures	<u>701,452</u>	<u>912,814</u>	<u>973,081</u>
Capital Outlay	<u>88,500</u>	<u>86,470</u>	<u>85,603</u>
Total Expenditures	<u>3,214,398</u>	<u>3,106,371</u>	<u>3,072,384</u>
Excess of Revenues Over Expenditures	612,952	826,344	887,478
Other financing sources (uses):			
Transfers in (out)	(9,950)	(87,891)	(82,154)
Long-term advance from landlord	-	(8,656)	(8,656)
Net change in fund balance	603,002	729,797	796,668
Fund Balance at beginning of year	<u>2,082,621</u>	<u>2,082,621</u>	<u>2,082,621</u>
Fund Balance at end of year	<u>\$ 2,685,623</u>	<u>\$ 2,812,418</u>	<u>\$ 2,879,289</u>

Notes to Budgetary Comparison Schedule

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2018

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 390,050	\$ 390,300	\$ 390,406
Lunch program	14,050	10,500	11,937
Total Revenues	404,100	400,800	402,343
EXPENDITURES			
Current:			
Instruction	200,000	198,521	195,534
Food services	214,050	290,170	288,963
Total Current Expenditures	414,050	488,691	484,497
Excess of Revenues			
Over Current Expenditures	(9,950)	(87,891)	(82,154)
Capital Outlay			
Total Expenditures	414,050	488,691	484,497
Excess of Revenues Over Expenditures	(9,950)	(87,891)	(82,154)
Other financing sources (uses)			
Transfers in (out)	9,950	87,891	82,154
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	\$ -	\$ -	\$ -

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 Charter Elementary School (South Homestead)
Homestead, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Charter Elementary School (South Homestead) (the "School") as of, and for the year ended June 30, 2018, 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 4, 2018.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We issued a separate management letter dated September 4, 2018 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 4, 2018

MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Charter Elementary School (South Homestead)
Homestead, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Charter Elementary School (South Homestead) as of and for the fiscal year ended June 30, 2018 and have issued our report thereon dated September 4, 2018.

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 schedules which are dated September 4, 2018, 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. The official title of the entity is Somerset Academy Charter Elementary School (South Homestead).

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 Charter Elementary School (South Homestead) has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Somerset Academy Charter Elementary School (South Homestead) did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for Somerset Academy Charter Elementary School (South Homestead). It is management's responsibility to monitor Somerset Academy Charter Elementary School (South Homestead) financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We have applied such procedures as of the fiscal year end and no deteriorating financial condition has been noted.

Transparency

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

Other Matters

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

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

Purpose of this Letter

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

HLB Danner, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 4, 2018