



Jefferson County Elementary
(A charter school under Somerset Academy, Inc.)
W/L # 0111
**(A Charter School and Component Unit
of the School Board of Jefferson County, Florida)**
Monticello, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2019

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Jefferson County Elementary
(A charter school under Somerset Academy, Inc.)
W/L #0111
50 David Road
Monticello, Florida 32344

2018-2019

BOARD OF DIRECTORS

Todd German, Director and Board Chair, effective January 25, 2019 (Florida)
Lourdes Isla Marrero, Board Chair, resigned effective January 25, 2019
Ana Diaz, Secretary and Director
David Concepcion, Director
Jennifer Esquijarosa, Director
Dr. Bernard Kimmel, Director
Louis Marin, Director and Vice Chair (Texas)
Brian M, Cox, Director, elected July 26, 2018

SCHOOL ADMINISTRATION

Cory Oliver, 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 of
Jefferson County Elementary
Monticello, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Elementary (the "School"), a charter school under Somerset Academy, Inc., which is a component unit of the School Board of Jefferson County, Florida, 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 Jefferson County Elementary 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 Jefferson County Elementary 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 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.

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 1, 2019

Management's Discussion and Analysis
Jefferson County Elementary
(A charter school Under Somerset Academy, Inc.)
June 30, 2019

The corporate officers of Jefferson County Elementary have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2019.

Financial Highlights

1. The net position of the School at June 30, 2019 was a deficit of \$(227,271).
2. At year-end, the School had current assets on hand of \$1,830,211.
3. The School had a decrease in its net position of \$392,015 for the year ended June 30, 2019.
4. The unassigned fund balance at year end was \$1,526,277.

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 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 major governmental funds. A budgetary comparison statement has been provided for the major governmental funds 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, the net position was \$(227,271) at the close of the fiscal year. A summary of the School's net position as of June 30, 2019 and 2018 is as follows:

| | <u>2019</u> | <u>2018</u> |
|---------------------------------------|----------------------------|--------------------------|
| Cash and cash equivalents | \$ 159,233 | \$ 28,265 |
| Investments | 567,400 | 1,200,000 |
| Prepaid expenses | 74,729 | 51,729 |
| Due from other agencies | 1,243,267 | 210,414 |
| Due from other charter schools | 678,404 | 103,752 |
| Security deposit | 29,715 | 29,715 |
| Capital assets, net | <u>1,750,883</u> | <u>1,344,963</u> |
| Total Assets | <u>4,503,631</u> | <u>2,968,838</u> |
| Deferred outflows of resources | - | - |
| Salaries and wages payable | 153,151 | 149,045 |
| Accounts payable | 76,054 | 392,992 |
| Due to Somerset Academy, Inc. | 2,706,022 | 246,022 |
| Line of credit | 1,250,000 | 1,250,000 |
| Term loan payable | <u>545,675</u> | <u>766,035</u> |
| Total Liabilities | <u>4,730,902</u> | <u>2,804,094</u> |
| Deferred inflows of resources | - | - |
| Net Position: | | |
| Net investment in capital assets | 623,209 | 623,209 |
| Unrestricted | <u>(850,480)</u> | <u>(458,465)</u> |
| Total Net Position | <u>\$ (227,271)</u> | <u>\$ 164,744</u> |

At the end of the current fiscal year, the School reflected a negative (deficit) balances in its net position

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

| | <u>2019</u> | <u>2018</u> |
|---|---------------------|---------------------|
| REVENUES | | |
| Program Revenues | | |
| Operating Grants and Contributions | \$ 2,243,487 | \$ 1,693,715 |
| Local Capital Improvement Revenue | 485,597 | 472,818 |
| Lunch Program fees | 7,033 | 135,297 |
| General Revenues | | |
| Local Sources(FTE and other non specific) | 3,880,478 | 3,540,431 |
| Other Revenues | 71,010 | 773,384 |
| Total Revenues | <u>\$ 6,687,605</u> | <u>\$ 6,615,645</u> |
| EXPENSES | | |
| Component Unit Activities: | | |
| Instruction | \$ 3,819,609 | \$ 3,233,476 |
| Student support services | 116,984 | 62,389 |
| Instructional media services | 69 | 358 |
| Instructional staff training | 94,372 | 243,591 |
| Board | 26,357 | 68,341 |
| School administration | 904,302 | 769,017 |
| Facilities acquisition and construction | 91,735 | 20,417 |
| Fiscal services | 81,669 | 84,375 |
| Food services | 313,366 | 369,769 |
| Central services | 190,891 | 54,661 |
| Student transportation services | 425,481 | 482,624 |
| Operation of plant | 731,903 | 809,601 |
| Maintenance of plant | 78,079 | 128,172 |
| Administrative technology services | 40,718 | 7,516 |
| Community services | 91,224 | 68,031 |
| Interest | 72,861 | 48,563 |
| Total Expenses | <u>7,079,620</u> | <u>6,450,901</u> |
| Decrease in Net Position | (392,015) | 164,744 |
| Net Position at Beginning of Year | 164,744 | - |
| Net Position at End of Year | <u>\$ (227,271)</u> | <u>\$ 164,744</u> |

At the end of the fiscal year School's, revenues and expenses increased by \$71,960 and \$628,719, respectively resulting in a decrease in net position of \$392,015 with an enrollment of 399 students.

School Location and Lease of Facility

The School leases its facilities (shared with other schools). The facility is located at 50 David Road, Monticello, FL 32344.

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 385 students enrolled in grades kindergarten through fifth.

Achievements

2018-2019 enrollment totaled 386 students in grades PK-5 receiving a “D” based on the points it received under the State of Florida Accountability Program and expects to continue making significant learning gains. In March 2017, the Jefferson County School Board with backing from the Florida Department of Education (FLDOE) selected the Somerset Academy Charter School Network to take over the operations of the Jefferson County School District. This was a first-of-its-kind rural charter school takeover. Jefferson County School District closed its existing K-12 traditional public schools and awarded three new public charter schools to Somerset.

Jefferson County suffers from generational poverty and very low academic achievement. The district is currently 69.8% direct certified free and reduced lunch. On state exams, Jefferson was the lowest performing school district in the state but continues to enhance the curriculum and school operations to increase learning gains and engage students.

Following the first year of operation under Somerset Academy, Jefferson County was the most improved District in the State. Third grade students’ scores for the English Language Arts FSA improved with a passing rate of 45% for 2018-2019 compared to a passing rate of 36% for 2017-2018. Also, the passing for the Mathematics FSA for grades 3-5 all improved in 2018-2019 in comparison to the 2017-2018 school year with higher passing scores of 51% for 3rd grade, 49% for 4th grade, and 35% for the 5th grade.

Somerset took over educating grades PK-12 for the entire district, hiring new teachers and introducing new technology and educational resources for the students. It remodeled and revamped the school facilities. In 2018 they held a Ribbon Cutting Ceremony for the opening of their new SMART Lab.

Somerset Jefferson County Elementary participated in various community service projects and activities including the County-wide Tropicana Speech Contest, where one of the 4th grade students placed 1st placed in her division, Winter JOY Toy Drive, and a Community Essay Contest “What is a Veteran, where three 5th grade students won the contest. Students also participated in school-based productions and clubs including National Junior Honor Society, the Winter Band Concert, Spelling Bee, Spring Concert, and the End of the Year Show.

Somerset’s affiliated charter school networks — Mater Academy, Doral Academy, Pinecrest Academy, and SLAM (Sports Leadership Arts Management) Academy — sent teams of experienced teachers, school leaders and specialists to assist in turnaround efforts. Graduates from the affiliate schools also created a summer camp to assist struggling Jefferson students.

As a member of the Somerset Academy network of high-quality charter schools, Somerset Jefferson is fully accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division.

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 needs. In particular, the *unassigned fund balance* may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

Most of the School’s operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature. At the end of the fiscal year, the School’s governmental general fund reported ending fund balance of \$1,526,271. The fund balance unassigned and available for spending at the School’s discretion is \$1,601,006. 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 \$1,750,883 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures and computer equipment. As of June 30, 2019, the School had \$1,795,675 of 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 | | | |
| Local capital improvement revenue | \$ 487,458 | \$ 485,944 | \$ 485,597 |
| State passed through local | 7,003 | 7,553 | 7,633 |
| Federal sources | 1,326,335 | 1,330,168 | \$ 1,343,032 |
| Lunch program fees | 6,500 | 7,000 | 7,033 |
| General Revenues | | | |
| FTE and other nonspecific revenues | 3,681,299 | 3,878,390 | 3,880,478 |
| Charges and other revenues | 1,409,812 | 70,941 | 71,010 |
| Total Revenues | <u>\$ 6,918,407</u> | <u>\$ 5,779,996</u> | <u>\$ 5,794,783</u> |
| CURRENT EXPENDITURES | | | |
| Component Unit Activities | | | |
| Instruction | \$ 3,673,580 | \$ 3,628,933 | \$ 3,624,641 |
| Student support services | 188,409 | 119,709 | 116,984 |
| Instructinoal media services | 4,136 | 400 | 69 |
| Instructional staff training | 117,394 | 96,394 | 94,372 |
| Board | 41,775 | 28,394 | 26,357 |
| School administration | 843,095 | 826,250 | 883,308 |
| Facilities acquisition | 70,000 | 54,800 | 53,092 |
| Fiscal services | 85,367 | 81,800 | 81,669 |
| Food services | 273,500 | 268,176 | 267,943 |
| Central services | 163,367 | 195,165 | 190,891 |
| Student transportation services | 425,000 | 426,154 | 425,481 |
| Operation of plant | 824,572 | 691,221 | 689,975 |
| Maintenance of plant | 72,000 | 54,647 | 51,466 |
| Administrative technology services | 48,000 | 42,610 | 40,718 |
| Community services | 142,000 | 92,000 | 91,224 |
| Interest expense | 50,000 | 73,251 | 72,861 |
| Total Current Expenditures | <u>\$ 7,022,195</u> | <u>\$ 6,679,904</u> | <u>\$ 6,711,051</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.

Jefferson County Elementary
(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 | \$ 159,233 |
| Investments | 567,400 |
| Prepaid expenses | 74,729 |
| Due from other agencies | 350,445 |
| Due from other charter schools | 678,404 |
| Total Current Assets | <u>1,830,211</u> |
| School of Hope grant receivable | 892,822 |
| Security deposit | <u>29,715</u> |
| Capital assets, depreciable | 2,346,482 |
| Less: accumulated depreciation | <u>(595,599)</u> |
| | <u>1,750,883</u> |
| Total Assets | <u>4,503,631</u> |
| <u>Deferred Outflows of Resources</u> | <u>-</u> |
| <u>Liabilities</u> | |
| Current liabilities: | |
| Salaries and wages payable | 153,151 |
| Accounts payable | 76,054 |
| Line of credit | 1,250,000 |
| Term loan payable-due within one year | 228,211 |
| Total Current Liabilities | <u>1,707,416</u> |
| Due to Somerset Academy, Inc. | 2,706,022 |
| Term loan payable | 317,464 |
| Total Liabilities | <u>3,023,486</u> |
| <u>Deferred Inflows of Resources</u> | <u>-</u> |
| <u>Net Position</u> | |
| Net investment in capital assets | 623,209 |
| Unrestricted | <u>(850,480)</u> |
| Total Net Position | <u>\$ (227,271)</u> |

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

Jefferson County Elementary
(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 | \$ 3,819,609 | \$ - | \$ 1,963,053 | \$ - | \$ (1,856,556) |
| Student support services | 116,984 | - | - | - | (116,984) |
| Instructional media services | 69 | - | - | - | (69) |
| Instructional staff training | 94,372 | - | - | - | (94,372) |
| Board | 26,357 | - | - | - | (26,357) |
| School administration | 904,302 | - | - | - | (904,302) |
| Facilities acquisition and construction | 91,735 | - | - | - | (91,735) |
| Fiscal services | 81,669 | - | - | - | (81,669) |
| Food services | 313,366 | 7,033 | 272,801 | - | (33,532) |
| Central services | 190,891 | - | - | - | (190,891) |
| Student transportation services | 425,481 | - | - | - | (425,481) |
| Operation of plant | 731,903 | - | - | 485,597 | (246,306) |
| Maintenance of plant | 78,079 | - | 7,633 | - | (70,446) |
| Administrative technology services | 40,718 | - | - | - | (40,718) |
| Community services | 91,224 | - | - | - | (91,224) |
| Interest | 72,861 | - | - | - | (72,861) |
| Total governmental activities | 7,079,620 | 7,033 | 2,243,487 | 485,597 | (4,343,503) |

| | |
|------------------------------------|---------------------|
| General revenues: | |
| FTE and other nonspecific revenues | 3,880,478 |
| Interest and other revenue | 71,010 |
| | <u>3,951,488</u> |
| Change in net position | (392,015) |
| Net position, beginning | 164,744 |
| Net position, ending | <u>\$ (227,271)</u> |

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

Jefferson County Elementary
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2019

| | General Fund | Special Revenue Fund | Non-major Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------|------------------------------------|--------------------------------|
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 159,233 | \$ - | \$ - | \$ 159,233 |
| Investments | 567,400 | - | - | 567,400 |
| Due from other agencies | 21,649 | 328,796 | - | 350,445 |
| Due from fund | 328,796 | - | - | 328,796 |
| Prepaid expenses | 74,729 | - | - | 74,729 |
| Due from other charter schools | 678,404 | - | - | 678,404 |
| Total Assets | <u>1,830,211</u> | <u>328,796</u> | <u>-</u> | <u>2,159,007</u> |
| <u>Deferred Outflows of Resources</u> | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Liabilities</u> | | | | |
| Salaries and wages payable | 153,151 | - | - | 153,151 |
| Accounts payable | 76,054 | - | - | 76,054 |
| Due to fund | - | 328,796 | - | 328,796 |
| Total Liabilities | <u>229,205</u> | <u>328,796</u> | <u>-</u> | <u>558,001</u> |
| <u>Deferred Inflows of Resources</u> | | | | |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <u>Fund Balance</u> | | | | |
| Nonspendable, not in spendable form | 74,729 | - | - | 74,729 |
| Unassigned | 1,526,277 | - | - | 1,526,277 |
| | <u>1,601,006</u> | <u>-</u> | <u>-</u> | <u>1,601,006</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balance | <u>\$ 1,830,211</u> | <u>\$ 328,796</u> | <u>\$ -</u> | <u>\$ 2,159,007</u> |

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

Jefferson County Elementary
(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 | \$ 1,601,006 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets of \$2,346,482 net of accumulated depreciation of \$595,599 used in governmental activities are not financial resources and therefore are not reported in the fund. | 1,750,883 |
| Long term liabilities in governmental activities are not financial resources and therefore are not reported in the governmental funds. | (4,501,697) |
| Long term receivables in governmental activities are not financial resources and therefore are not reported in the governmental funds. | <u>922,537</u> |
| Total Net Position - Governmental Activities | <u>\$ (227,271)</u> |

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

Jefferson County Elementary
(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 | Special Revenue Fund | Non-major Governmental Funds | Total Governmental Funds |
|--|---------------------|-------------------------|------------------------------------|--------------------------------|
| Revenues: | | | | |
| Local capital improvement revenue | \$ - | \$ - | \$ 485,597 | \$ 485,597 |
| State passed through local | 3,880,478 | 7,633 | - | 3,888,111 |
| Federal sources | - | 1,343,032 | - | 1,343,032 |
| Lunch program fees | - | 7,033 | - | 7,033 |
| Charges for services and other revenue | 71,010 | - | - | 71,010 |
| Total Revenues | 3,951,488 | 1,357,698 | 485,597 | 5,794,783 |
| Expenditures: | | | | |
| Instruction | 2,554,407 | 1,070,234 | - | 3,624,641 |
| Student support services | 116,984 | - | - | 116,984 |
| Board | 26,357 | - | - | 26,357 |
| Instructional media services | 69 | - | - | 69 |
| Instructional staff training | 94,372 | - | - | 94,372 |
| School administration | 883,308 | - | - | 883,308 |
| Facilities acquisition and construction | 53,092 | - | - | 53,092 |
| Fiscal services | 81,669 | - | - | 81,669 |
| Food services | - | 267,943 | - | 267,943 |
| Central services | 190,891 | - | - | 190,891 |
| Student transportation services | 425,481 | - | - | 425,481 |
| Operation of plant | 204,378 | - | 485,597 | 689,975 |
| Maintenance of plant | 51,466 | - | - | 51,466 |
| Administrative technology services | 40,718 | - | - | 40,718 |
| Community services | 91,224 | - | - | 91,224 |
| Capital Outlay: | | | | |
| Other capital outlay | 774,488 | - | - | 774,488 |
| Debt service: | | | | |
| Repayment of long-term debt | - | - | 220,360 | 220,360 |
| Interest expense | - | - | 72,861 | 72,861 |
| Total Expenditures | 5,588,904 | 1,338,177 | 778,818 | 7,705,899 |
| Excess (deficit) of revenues over expenditures | (1,637,416) | 19,521 | (293,221) | (1,911,116) |
| Other financing sources (uses) | | | | |
| Transfers in (out) | (273,700) | (19,521) | 293,221 | - |
| Proceeds from Somerset Academy, Inc. | 2,460,000 | - | - | 2,460,000 |
| Net change in fund balance | 548,884 | - | - | 548,884 |
| Fund Balance at beginning of year | 1,052,122 | - | - | 1,052,122 |
| Fund Balance at end of year | \$ 1,601,006 | \$ - | \$ - | \$ 1,601,006 |

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

Jefferson County Elementary
(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 \$ 548,884

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 \$774,488 differs from depreciation expense of \$368,568. 405,919

Increase in long term payables is a resource in the governmental funds, but a increases of such increases long-term liabilities in the statement of net position. This is the amount by which increase in long-term payable of \$2,460,000 exceeded from repayments of \$220,360 in the current period. (2,239,640)

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measureable and available in the governmental funds. These revenues did meet the recognition criteria during the current year and, therefore, were reported in the governmental funds. 892,822

Change in Net Position of Governmental Activities \$ (392,015)

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

Jefferson County Elementary
(A charter school under Somerset Academy, Inc.)

Statement of Net Position - Fiduciary Funds
June 30, 2019

| | <u>Agency Funds</u> |
|--|---------------------|
| <u>Assets</u> | |
| Cash | \$ 50,150 |
| Total Assets | <u>50,150</u> |
| <u>Deferred Outflows of Resources</u> | <u>-</u> |
| <u>Liabilities</u> | |
| Due to students and clubs | 50,150 |
| Total Liabilities | <u>50,150</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

Jefferson County Elementary (the "School"), is a component unit of the School Board of Jefferson 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, 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 exist that would require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Jefferson 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 the date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Monticello, Florida for students from grades kindergarten through fifth and is funded by the District. These financial statements are for the year ended June 30, 2019, when on average 399 students were enrolled for the school year.

Basis of Presentation

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

Deferred Outflows/Inflows of Resources

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

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

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 inter-fund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

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

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. 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 Federal implementation grants, Title I and federal lunch program that are legally restricted to expenditure for particular purposes

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

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. 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.

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 3).

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.

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.

Long –Term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

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. 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:

| | |
|-----------------------------------|----------|
| Building & Improvements | 20 Years |
| Furniture, Equipment and Software | 5 Years |
| Textbooks | 3 Years |

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 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. Employees may 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.

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 states funds through the district under charter school capital outlay funding pursuant to section 1013.62, Florida statutes funds are based on capital outlay plans submitted

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

Note 1 – Summary of Significant Accounting Policies (continued)

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 - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of balances 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 balances that do not meet the definition of "restricted" or "Net investment in capital assets."

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.

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 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.

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 October 1, 2019, which is the date the financial statements were available to be issued.

Jefferson County Elementary
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2019

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 | Balance 06/30/19 |
|------------------------------------|---------------------|-------------------|-------------|---------------------|
| Capital Assets: | | | | |
| Improvements-non building | \$ 142,572 | \$ 41,500 | \$ - | \$ 184,072 |
| Buildings and improvements | 408,964 | 353,544 | - | 762,508 |
| Computer equipment and software | 460,185 | 162,584 | - | 622,769 |
| Furniture, equipment and textbooks | 560,273 | 216,860 | - | 777,133 |
| Total Capital Assets | <u>1,571,994</u> | <u>774,488</u> | <u>-</u> | <u>2,346,482</u> |
| Less Accumulated Depreciation: | | | | |
| Improvements-non building | (13,530) | (34,044) | - | (47,574) |
| Buildings and improvements | (46,772) | (72,268) | - | (119,040) |
| Computer equipment and software | (78,547) | (115,596) | - | (194,143) |
| Furniture, equipment and textbooks | (88,182) | (146,660) | - | (234,842) |
| Total Accumulated Depreciation | <u>(227,031)</u> | <u>(368,568)</u> | <u>-</u> | <u>(595,599)</u> |
| Capital Assets, net | <u>\$ 1,344,963</u> | <u>\$ 405,920</u> | <u>\$ -</u> | <u>\$ 1,750,883</u> |

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

| | | |
|----------------------------|-----------|----------------|
| Instruction | \$ | 194,968 |
| School administration | | 20,994 |
| Facilities acquisition | | 38,643 |
| Food service | | 45,423 |
| Operation of plant | | 41,928 |
| Maintenance of plant | | 26,612 |
| Total Depreciation Expense | <u>\$</u> | <u>368,568</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 \$21,178.

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 \$97,564; including fiduciary account bank balances.

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

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 \$570,000 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.

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

Note 4 – Education Services and Support Provider Agreement

Academica Dade, LLC, a professional education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2019, the School incurred \$173,250 in fees.

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

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

The School leases its facilities from the School Board of Jefferson County. The facilities are shared with Jefferson County Middle School and Jefferson County High School (all are charter schools under Somerset Academy, Inc.). As a result, certain activities such as fundraising activities are recorded in the books of the School and not in those of the other charter schools.

Somerset Academy, Inc. (the “Corporation”) charges an assessment to all of its affiliated schools for shared corporate costs and accreditation expenses. During 2019, the School paid \$57,750 to the Corporation for these shared costs.

During the year ended June 30, 2018, the school received a recoverable grant from Somerset Academy, Inc. totaling \$700,000 with repayment contingent on the school subsequently meeting certain financial conditions. As of June 30, 2019, management determined that the School has not met the requirements for repayment under the grant terms. As of June 30, 2019 the maximum amount the should may be require to pay in the future should the school meet the requirements for repayment is \$700,000.

The School’s lunch program is shared with various schools. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements.

As a result of these transactions, the School may have balances due to or from other divisions of Somerset Academy, Inc. The following summarizes the activity during the year.

| | Balance 07/01/18 | Additions | Deletions | Balance 06/30/19 |
|---------------------------------------|---------------------|-------------------|-------------|---------------------|
| Due from other charter schools | | | | |
| Jefferson County Middle School | \$ 113,000 | 83,684 | \$ - | \$ 196,684 |
| Jefferson County High School | (9,248) | 490,968 | - | 481,720 |
| Total receivable | <u>\$ 103,752</u> | <u>\$ 574,652</u> | <u>\$ -</u> | <u>\$ 678,404</u> |

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

| Due to charter holder | <u>07/01/18</u> | <u>Additions</u> | <u>Deletions</u> | <u>06/30/19</u> |
|------------------------------|-------------------|---------------------|------------------|---------------------|
| Somerset Academy, Inc. | \$ 246,022 | \$ 2,460,000 | \$ - | \$ 2,706,022 |
| Total Long Term Payable | <u>\$ 246,022</u> | <u>\$ 2,460,000</u> | <u>\$ -</u> | <u>\$ 2,706,022</u> |

Note 6 – Long Term Debt

Somerset Academy, Inc. obtained a term loan from JP Morgan Chase Bank in the amount of \$907,940. This note matures on October 25, 2021 and accrues interest at 3.83%. This note is secured by certain of the School’s capital assets. The following summarizes the activity during the year:

| | <u>Balance</u> <u>07/01/18</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>06/30/19</u> |
|---------------------------|-----------------------------------|------------------|-------------------|-----------------------------------|
| JP Morgan Chase term loan | \$ 766,035 | \$ - | \$ 220,360 | \$ 545,675 |
| Total Term Loan Payable | <u>\$ 766,035</u> | <u>\$ -</u> | <u>\$ 220,360</u> | <u>\$ 545,675</u> |

Future minimum principal payments under the term loan are as follows:

| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
|-------------|------------------|-----------------|
| 2020 | \$228,211 | \$16,948 |
| 2021 | \$237,105 | \$8,053 |
| 2022 | \$80,359 | \$648 |

The School shares a \$2,000,000 revolving line of credit under Somerset Academy, Inc. from a financial institution for working capital purposes with Jefferson County Middle School and Jefferson County High School. The facility bears an interest rate of 3.40% per annum and is due in full with all accrued interest at maturity on March 12, 2022. The line of credit is secured by all business assets of Somerset Academy, Inc. As of June 30, 2019, the outstanding balance on the line that pertains to the School is \$1,250,000.

Interest expense for the year ended June 30, 2019 was \$72,861.

Note 7 – Inter-fund Transfers

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

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Non- Major Governmental Funds</u> |
|--|---------------------|-----------------------------|--------------------------------------|
| To transfer lunch surplus | \$ 11,888 | \$ (11,888) | \$ - |
| Reimbursement from Restart Grant for prior period expenditures | 11,627 | (7,633) | - |
| Transfer to Debt Service Fund to cover debt service | (293,221) | - | 293,221 |
| Total Transfers, net | <u>\$ (269,706)</u> | <u>\$ (19,521)</u> | <u>\$ 293,221</u> |
| Due from/(Due to) fund balances are as follows: | | | |
| Due to General Fund from Special Revenue Fund for IDEA | \$ 93,450 | \$ (93,450) | \$ - |
| Due to General Fund from Special Revenue Fund for Title I and II | 232,706 | (232,706) | - |
| Due to General Fund from Special Revenue Fund for UniSIG | 2,640 | (2,640) | - |
| Total Due from/(Due to) | <u>\$ 328,796</u> | <u>\$ (328,796)</u> | <u>\$ -</u> |

Note 8 – Commitments, Contingencies and Concentrations

Somerset Academy, Inc. entered into a transportation equipment, facility and equipment lease with the School Board of Jefferson County, Florida (the “Landlord”) for its transportation fleet, garage and equipment. The lease commenced on August 1, 2017 and shall thereafter coincide with the terms of the Schools charter, currently expiring on June 30, 2022. The annual minimum rent under the lease is one-dollar (\$1.00). All insurance, property taxes, repairs and maintenance are the expense of the Tenant.

Somerset Academy, Inc. has also entered into a personal and real property lease with the School Board of Jefferson County, Florida (the “Landlord”) for its main campus facilities (David Road), certain equipment and additional real property “Water Street Property” on which is located the athletic fields, track, stands, concession areas, restroom facilities and associated locker rooms and athletic facilities. The lease term shall coincide with the terms of the Schools charter, currently July 1, 2017 to June 30, 2022. The annual minimum rent under the lease is a “lease fee” defined in the Schools charter contract, currently one-dollar (\$1.00). All insurance, property taxes, repairs and maintenance are the expense of the Tenant.

Future minimum payments for the leases are as follows:

| <u>Year</u> | |
|-------------|------|
| 2019 | \$ 2 |
| 2020 | \$ 2 |
| 2021 | \$ 2 |
| 2022 | \$ 2 |

Contingencies

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

Note 8 – Commitments, Contingencies and Concentrations (continued)

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 participates in a number of federal, state and local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, 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, 2019, administrative fees withheld by the School District totaled \$128,356.

Note 9 – 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's debt agreements contain various covenants, restrictions and financial test requirements. In the event of default, the maturity can be accelerated and/or the underlying collateral may be subject to foreclosure.

The School has entered into a strategic relationship with ADP TotalSource, 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 10 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School approved a match of 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed \$45,809 to the Plan for the year ended June 30, 2019. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Voya.

Additionally, the School provides contributions to certain eligible personnel that participate in the Florida Retirement System. However, the School has elected to be a non-profit private employer and does not participate in the Florida Retirement System and accordingly, does not record any post retirement obligations.

REQUIRED SUPPLEMENTARY INFORMATION

Jefferson County Elementary
(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 | \$ 3,681,299 | \$ 3,878,390 | \$ 3,880,478 |
| Charges and other revenue | 1,409,812 | 70,941 | 71,010 |
| Total Revenues | <u>5,091,111</u> | <u>3,949,331</u> | <u>3,951,488</u> |
| EXPENDITURES | | | |
| Instruction | 2,603,245 | 2,557,946 | 2,554,407 |
| Student support services | 188,409 | 119,709 | 116,984 |
| Instructional media services | 4,136 | 400 | 69 |
| Instructional staff training | 117,394 | 96,394 | 94,372 |
| Board | 41,775 | 28,394 | 26,357 |
| School administration | 843,095 | 826,250 | 883,308 |
| Facilities acquisition and construction | 70,000 | 54,800 | 53,092 |
| Fiscal services | 85,367 | 81,800 | 81,669 |
| Central services | 163,367 | 195,165 | 190,891 |
| Student transportation services | 425,000 | 426,154 | 425,481 |
| Operation of plant | 387,114 | 205,164 | 204,378 |
| Maintenance of plant | 72,000 | 54,647 | 51,466 |
| Administrative technology services | 48,000 | 42,610 | 40,718 |
| Community services | 142,000 | 92,000 | 91,224 |
| Total Current Expenditures | <u>5,190,902</u> | <u>4,781,433</u> | <u>4,814,416</u> |
| Deficit of Revenues Over Current Expenditures | <u>(99,791)</u> | <u>(832,102)</u> | <u>(862,928)</u> |
| Capital Outlay | 700,000 | 775,000 | 774,488 |
| Total Expenditures | <u>5,890,902</u> | <u>5,556,433</u> | <u>5,588,904</u> |
| Deficit of Revenues Over Expenditures | (799,791) | (1,607,102) | (1,637,416) |
| Other financing sources (uses): | | | |
| Transfers in (out) | (291,228) | (303,279) | (273,700) |
| Receipts from Somerset Academy, Inc. | 1,460,000 | 2,460,000 | 2,460,000 |
| Net change in fund balance | 368,981 | 549,619 | 548,884 |
| Fund Balance at beginning of year | <u>1,052,122</u> | <u>1,052,122</u> | <u>1,052,122</u> |
| Fund Balance at end of year | <u>\$ 1,421,103</u> | <u>\$ 1,601,741</u> | <u>\$ 1,601,006</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.

Jefferson County Elementary
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2019

| | Special Revenue Fund | | |
|--|----------------------|------------------|------------------|
| | Original Budget | Final Budget | Actual |
| REVENUES | | | |
| State passed through local | \$ 7,003 | \$ 7,553 | \$ 7,633 |
| Federal sources | 1,326,335 | 1,330,168 | 1,343,032 |
| Lunch program fees | 6,500 | 7,000 | 7,033 |
| Total Revenues | <u>1,339,838</u> | <u>1,344,721</u> | <u>1,357,698</u> |
| EXPENDITURES | | | |
| Current: | | | |
| Instruction | 1,070,335 | 1,070,987 | 1,070,234 |
| Food services | 273,500 | 268,176 | 267,943 |
| Total Current Expenditures | <u>1,343,835</u> | <u>1,339,163</u> | <u>1,338,177</u> |
| Excess of Revenues Over Current Expenditures | <u>(3,997)</u> | <u>5,558</u> | <u>19,521</u> |
| Capital Outlay | - | - | - |
| Total Expenditures | <u>1,343,835</u> | <u>1,339,163</u> | <u>1,338,177</u> |
| Excess of Revenues Over Expenditures | (3,997) | 5,558 | 19,521 |
| Other financing sources (uses) Transfers in (out) | <u>3,997</u> | <u>(5,558)</u> | <u>(19,521)</u> |
| Net change in fund balance | - | - | - |
| Fund Balance at beginning of year | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balance at end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

Notes to Budgetary Comparison Schedule

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



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors of
Jefferson County Elementary
Monticello, 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 Jefferson County Elementary (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 October 1, 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 issued in a separate management report dated October 1, 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
October 1, 2019



MANAGEMENT LETTER

Board of Directors of
Jefferson County Elementary
Monticello, Florida

Report on the Financial Statements

We have audited the financial statements of Jefferson County Elementary as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated October 1, 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; and Chapter 10.850, Rules of the Auditor General.

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 October 1, 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. Refer to section below titled "Status of Prior Year Findings and Recommendations".

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 Jefferson County Elementary, 0111.

Financial Condition

Section 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 Jefferson County Elementary has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Jefferson County Elementary did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition (Continued)

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

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 Charter School name. It is management's responsibility to monitor Jefferson County Elementary's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

We have applied the above procedures as of the fiscal year end and no deteriorating financial condition has been noted. However, the School has received funding through long term payables from Somerset Academy, Inc. Should Somerset Academy, Inc. no longer support the School with such funding or request re-payment of such long term payables in the near term, the School will immediately experience a deteriorating financial condition.

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 Jefferson County Elementary maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In Connection with our audit, we determined that Charter School name 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, requires 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.

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.

Recommendation: 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

Status of Prior Year Findings and Recommendations

ML 18-01 – INTERNAL ACCOUNT – DEPOSITS

Criteria: All deposits recap sheets should be supported by the yellow carbon copy receipt in order to prove that a receipt was provided to the payer.

Condition: We noted that the yellow carbon copy of the receipts were not attached to any of the recap sheets selected for testing.

Cause: The condition results from insufficient training on the policies and procedures related to internal account deposits.

Effect: Failure to provide receipts for deposit received from student or parents can increase the risk of misappropriation of cash.

Recommendation: Management should schedule a follow up training to ensure that staff are knowledgeable about all procedures related to the internal account.

Status

During our current year testing, we noted that the yellow carbon copy of the receipts were attached to all recap sheets selected for testing.

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 Jefferson County, Florida, 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.

A handwritten signature in blue ink that reads "HLB Gravis, LLP". The signature is written in a cursive, flowing style.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 1, 2019