



Somerset Academy Key Charter Middle School  
(A charter school under  
Somerset Academy, Inc. and Component Unit  
of the School Board of Broward County, Florida.)  
WL# 5413

Deerfield Beach, Florida

Financial Statements and  
Independent Auditors' Report  
June 30, 2019

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Somerset Academy Key Charter Middle School  
WL# 5413

959 SE 6<sup>th</sup> Ave.  
Deerfield Beach, Florida 33441

2018-2019

BOARD OF DIRECTORS

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

SCHOOL ADMINISTRATION

Dennis Mulrooney, 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 Key Charter Middle School  
Deerfield Beach, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Key Charter Middle School (the "School"), a charter school under Somerset Academy, Inc., which is a component unit of the District School of Broward County, 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.

### **Auditors' 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 Key Charter Middle School as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Key Charter Middle School 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**

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.

## ***Required Supplementary Information***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 30, 2019

**Management's Discussion and Analysis**  
Somerset Academy Key Charter Middle School  
(A Charter School under Somerset Academy, Inc.)  
June 30, 2019

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

**Financial Highlights**

1. The net position of the School as of June 30, 2019 was \$597,631.
2. At year-end, the School had current assets on hand of \$514,434.
3. The School had an increase in its net position of \$123,981 for the year ended June 30, 2019.
4. The unassigned fund balance at year end was \$226,442.

**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, deferred inflows of resources, and liabilities. The difference between the four 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. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental 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 and any other major governmental funds. A budgetary comparison statement has been provided for the general fund and any other 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, net position was \$597,631 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:

	2019	2018
Cash and cash equivalents	\$ 70,357	\$ 30,392
Investments	300,000	300,000
Prepaid expenses	693,618	729,000
Due from other agencies	81,132	125,155
Capital Assets, net	431,818	513,451
<b>Total Assets</b>	<b>1,576,925</b>	<b>1,697,998</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>
Accounts payable	48,403	62,741
Salaries payable and accrued expense	115,558	80,196
Due to other divisions of Somerset Academy, Inc.	61,086	-
Current portion of long term debt	27,726	24,894
Due to other divisions of Somerset Academy, Inc., long term	700,000	1,000,000
Long term debt	26,521	56,517
<b>Total Liabilities</b>	<b>979,294</b>	<b>1,224,348</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>		
Net Investment in capital assets	-	-
Unrestricted	597,631	473,650
<b>Total Net Position</b>	<b>\$ 597,631</b>	<b>\$ 473,650</b>

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 year ended June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Program Revenues		
Federal Sources	\$ 410,330	\$ 232,429
Capital Grants and Contributions	277,478	213,767
Lunch Program fees	1,370	1,643
General Revenues		
Local Source (FTE and other non specific revenues)	2,686,388	2,413,209
Other Revenues	20,660	25,796
<b>Total Revenues</b>	<u>\$ 3,396,226</u>	<u>\$2,886,844</u>
<b>EXPENSES</b>		
Instruction	\$ 1,538,219	\$1,122,717
Student support services	49,587	41,483
Instructional staff training	2,715	5,831
Board	25,200	22,381
School administration	440,778	365,451
Facilities acquisition	69,030	69,030
Fiscal services	63,600	56,850
Food services	134,983	111,523
Central services	82,064	60,031
Pupil transportation services	-	575
Operation of plant	688,846	602,622
Maintenance of plant	140,356	110,080
Administrative technology services	24,257	10,426
Community services	10,389	-
Debt service	2,221	3,937
<b>Total Expenses</b>	<u>3,272,245</u>	<u>2,582,937</u>
Increase in Net Position	123,981	303,907
Net Position at Beginning of Year	473,650	169,743
Net Position at End of Year	<u>\$ 597,631</u>	<u>\$ 473,650</u>

As a result of increase in student enrollment the school's revenues and expenses increased by \$509,382 and \$689,308, respectively, in the current year. The School had an increase in its net position of \$123,981 for the year.

### **School Location and Lease of Facility**

The School leases a facility located at 959 SE 6<sup>th</sup> Ave. Deerfield Beach, Florida 33441.

### **Capital Improvement Requirements**

The School maintains a continuous capital improvements program to enhance facilities and update fixtures and equipment as required.

### **Achievements**

In 2019, Somerset Academy Key Middle School completed its 3rd year of operations, increasing enrollment to 423 students. The school demonstrated academic improvement, as it raised its letter grade to a "C."



Functioning in a rich, diverse South Florida community, Somerset Academy Key sets high academic and social expectations that together lead to the successful development of its students and provides each child the opportunity to gain a competitive advantage to post-secondary success.

The school's community provides a wonderful place where youth and experience come together for the singular purpose of learning. Students at Somerset Academy Key can expect:

- Teachers who really care
- An engaging learning environment
- Stimulating discussions
- A safe campus
- Advanced academics
- A college preparatory curriculum

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

## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$243,187. The fund balance unassigned and available for spending at the School's discretion is \$226,442. 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 \$431,818 (net of accumulated depreciation). This investment in capital assets includes construction in progress, building improvements, furniture, equipment and textbooks, and computer equipment. As of June 30, 2019, the School had \$754,247 in long term payable related to its capital assets and working capital.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the 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			
Federal sources	\$ 225,000	\$ 286,599	\$ 287,323
State capital outlay funding	234,000	277,760	277,478
Lunch program fees	100,060	124,000	124,377
General Revenues			
State passed through local	2,738,500	2,685,377	2,686,388
Other revenues	20,000	20,415	20,660
Total Revenues	<u>3,317,560</u>	<u>3,394,151</u>	<u>3,396,226</u>
CURRENT EXPENDITURES			
Instruction	1,288,875	1,476,406	1,462,345
Student support services	60,691	50,741	49,587
Instructional staff training	3,000	2,740	2,715
Board	77,800	25,465	25,200
School administration	408,272	448,468	440,159
Fiscal services	67,500	63,600	63,600
Food services	123,300	133,100	132,794
Central services	74,500	88,600	82,064
Operation of plant	586,590	608,695	604,702
Maintenance of plant	128,300	153,000	139,474
Administrative technology services	36,000	25,282	24,257
Community services	5,088	11,000	10,389
Total Current Expenditures	<u>\$ 2,859,916</u>	<u>\$ 3,087,097</u>	<u>\$ 3,037,286</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 Broward, LLC, 6340 Sunset Drive, Miami, Florida 33143.

Somerset Academy Key Charter Middle School  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position  
June 30, 2019

<b><u>Assets</u></b>	<b>Governmental Activities</b>
Current assets:	
Cash and cash equivalents	\$ 70,357
Investments	300,000
Prepaid expenses	62,945
Due from other agencies	81,132
Total Current Assets	514,434
Prepaid rent and long term deposits	630,673
Capital assets, depreciable	889,403
Less: accumulated depreciation	(457,585)
	431,818
Total Assets	1,576,925
<b><u>Deferred Outflows of Resources</u></b>	-
<b><u>Liabilities</u></b>	
Current liabilities:	
Accounts payable	48,403
Salaries and wages payable	115,558
Due to other divisions of Somerset Academy, Inc.	61,086
Current portion of long term debt	27,726
Total Current Liabilities	252,773
Long term liabilities:	
Due to other divisions of Somerset Academy, Inc., long term	700,000
Long term debt	26,521
Total Liabilities	979,294
<b><u>Deferred Inflows of Resources</u></b>	-
<b><u>Net Position</u></b>	
Net Investment in capital assets	-
Unrestricted	597,631
Total Net Position	\$ 597,631

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

Somerset Academy Key Charter Middle School  
(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	
Instruction	\$ 1,538,219	\$ -	\$ 276,884	\$ -	\$ (1,261,335)
Student support services	49,587	-	-	-	(49,587)
Instruction staff training	2,715	-	-	-	(2,715)
Board	25,200	-	-	-	(25,200)
School administration	440,778	-	-	-	(440,778)
Facilities acquisition	69,030	-	-	-	(69,030)
Fiscal services	63,600	-	-	-	(63,600)
Food services	134,983	1,370	123,007	-	(10,606)
Central services	82,064	-	-	-	(82,064)
Operation of plant	688,846	-	-	277,478	(411,368)
Maintenance of plant	140,356	-	10,439	-	(129,917)
Administrative technology services	24,257	-	-	-	(24,257)
Community services	10,389	-	-	-	(10,389)
Debt service	2,221	-	-	-	(2,221)
<b>Total governmental activities</b>	<b>3,272,245</b>	<b>1,370</b>	<b>410,330</b>	<b>277,478</b>	<b>(2,583,067)</b>

General revenues:

FTE and other nonspecific revenues	2,686,388
Other revenue	20,660

Change in net position 123,981

Net position, beginning	473,650
Net position, ending	\$ 597,631

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

Somerset Academy Key Charter Middle School  
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2019

	General Fund	Special Revenue Fund	Total Governmental Funds
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 70,357	\$ -	\$ 70,357
Investments	300,000	-	300,000
Due from other agencies	-	81,132	81,132
Due from fund	81,132	-	81,132
Prepaid expenses and other current assets	16,745	-	16,745
Total Assets	<u>468,234</u>	<u>81,132</u>	<u>549,366</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>			
Salaries and wages payable	115,558	-	115,558
Accounts payable	48,403	-	48,403
Due to other divisions of Somerset Academy, Inc.	61,086	-	61,086
Due to fund	-	81,132	81,132
Total Liabilities	<u>225,047</u>	<u>81,132</u>	<u>306,179</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund balance</u></b>			
Nonspendable, not in spendable form	16,745	-	16,745
Unassigned	226,442	-	226,442
	<u>243,187</u>	<u>-</u>	<u>243,187</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 468,234</u>	<u>\$ 81,132</u>	<u>\$ 549,366</u>

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

Somerset Academy Key Charter Middle School  
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
June 30, 2019

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Total Fund Balance - Governmental Funds	\$	243,187
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets of \$889,403 net of accumulated depreciation of \$457,585 used in governmental activities are not financial resources and therefore are not reported in the fund.	431,818
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Long term prepaid rent and deposits in governmental activities is not a financial resource and therefore is not reported in the governmental funds.	676,873
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Long term debt in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds.	<u>(754,247)</u>
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Total Net Position - Governmental Activities	\$	<u>597,631</u>
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The accompanying notes are an integral  
part of this financial statement.

Somerset Academy Key Charter Middle School  
(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:				
State capital outlay funding	\$ -	\$ -	\$ 277,478	\$ 277,478
State passed through local	2,686,388	-	-	2,686,388
Federal sources	-	287,323	-	287,323
Lunch program fees	-	124,377	-	124,377
Other revenue	20,660	-	-	20,660
Total Revenues	2,707,048	411,700	277,478	3,396,226
Expenditures:				
Current				
Instruction	1,276,833	185,512	-	1,462,345
Student support services	49,587	-	-	49,587
Instructional staff training	2,715	-	-	2,715
Board	25,200	-	-	25,200
School administration	348,787	91,372	-	440,159
Fiscal services	63,600	-	-	63,600
Food services	-	132,794	-	132,794
Central services	82,064	-	-	82,064
Operation of plant	327,224	-	277,478	604,702
Maintenance of plant	139,474	-	-	139,474
Administrative technology services	24,257	-	-	24,257
Community Services	10,389	-	-	10,389
Debt service:				
Principal repayments	-	-	27,164	27,164
Interest	-	-	2,221	2,221
Capital Outlay:				
Other capital outlay	117,715	-	-	117,715
Total Expenditures	2,467,845	409,678	306,863	3,184,386
Excess (Deficit) of revenues over expenditures	239,203	2,022	(29,385)	211,840
Other financing sources (uses)				
Transfers in (out)	(27,363)	(2,022)	29,385	-
Long term repayments to other divisions	(300,000)	-	-	(300,000)
Net change in fund balance	(88,160)	-	-	(88,160)
Fund Balance at beginning of year	331,347	-	-	331,347
Fund Balance at end of year	\$ 243,187	\$ -	\$ -	\$ 243,187

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

Somerset Academy Key Charter Middle School  
(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

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Net Change in Fund Balance - Governmental Funds \$ (88,160)

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 \$117,715 differed depreciation expense of \$199,348. (81,633)

Increases in long-term assets is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long term assets in the statement of net position. This is the amount by which payments of \$0 exceeded expense amortization of \$33,390 in the current period. (33,390)

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of \$327,164 exceeded proceeds of \$0- . 327,164

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Change in Net Position of Governmental Activities \$ 123,981

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



Somerset Academy Key Charter Middle School  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position - Fiduciary Funds

June 30, 2019

	<u>Agency Funds</u>
<b><u>Assets</u></b>	
Cash	<u>\$ 11,618</u>
Total Assets	<u>11,618</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	
Due to students and clubs	<u>11,618</u>
Total Liabilities	<u>11,618</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b><u>Net Position</u></b>	<u>\$ -</u>

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

## **Note 1 – Summary of Significant Accounting Policies**

### Reporting Entity

Somerset Academy Key Charter Middle School (the "School"), is a component unit of the School Board of Broward 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 Broward County, Florida. The current charter expires on June 30, 2023 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 Deerfield Beach, Florida for students from grades six through eight. These financial statements are for the year ended June 30, 2019, when on average 424 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.

**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, 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 governmental 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 lunch program funding and other federal 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*.

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

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.

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* (see Note 2).

Inter-fund Transfers

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

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:

Furniture, Equipment, and Computers	5 Years
Building and Improvements	5-10 Years
Textbooks and Software	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 “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 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 will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District.

### **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 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 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 do not meet the definition of "restricted" or "net investment in capital assets."

##### *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 assets not in spendable form.
- 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.
- 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.

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

- 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.

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.

Use of Estimates

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2019, which is the date the financial statements were available to be issued.



## **Note 2 – Cash, Cash Equivalents and Investments**

### Deposits

The School maintains its cash and cash equivalents in one financial institution. As of June 30, 2019, the School's deposits consisted of cash balances of \$34,405.

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 are approximately \$55,700; including fiduciary account bank balances.

### Investments

The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets; Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2019, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$440,000 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, the fund's annual report, 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.

**Note 2 – Cash, Cash Equivalents and Investments (continued)**

*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 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, 2019:

	Balance 07/01/18	Additions	Retirements	Balance 06/30/19
Capital assets, depreciable:				
Building improvements	\$ 376,928	\$ 13,923	\$ -	\$ 390,851
Computer equipment	41,512	23,714	-	65,226
Furniture, equipment and textbooks	353,248	80,078	-	433,326
Total Capital Assets	771,688	117,715	-	889,403
Less Accumulated Depreciation:				
Building improvements	(111,316)	(81,528)	-	(192,844)
Computer equipment	(18,069)	(13,994)	-	(32,063)
Furniture, equipment and textbooks	(128,852)	(103,826)	-	(232,678)
Total Accumulated Depreciation	(258,237)	(199,348)	-	(457,585)
Capital Assets, net	<u>\$ 513,451</u>	<u>\$ (81,633)</u>	<u>\$ -</u>	<u>\$ 431,818</u>

Somerset Academy Key Charter Middle School  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

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**Note 3 –Capital Assets (continued)**

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

Instruction	\$	75,874
School administration		619
Facilities acquisition		69,030
Food service		2,189
Operation of plant		50,754
Maintenance of Plant		882
Total Depreciation Expense	\$	<u>199,348</u>

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

Academica Broward, LLC, an 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, financial reporting, and virtual education services. The agreement calls for a fee on a per student basis. The agreement is for a period of five years, through June 30, 2021, and unless terminated by the board and shall be renewed for an additional term of five (5) years. During the year ended June 30, 2019, the School incurred \$190,800 in fees. Academica Broward, LLC is located at 6340 Sunset Drive, Miami, Florida 33143.

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

During 2019, the School's facility was shared with Somerset Academy Key High School (a charter school under Somerset Academy, Inc.). Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies and other expenses to each school individually based on enrollment. The School's lunch program is also shared with this school. Revenues and expenses related to such program have been allocated based on FTE equivalent for purposes of presentation in the financial statements. As of June 30, 2019 the school had due to Somerset Academy Key High School of \$61,086 in relation to these allocations.

Somerset Academy, Inc. operates various charter schools. Somerset Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid Somerset Academy, Inc. \$63,600 in connection with these charges during the year.

### Note 6 – Long Term Debt

On May 25, 2017, the School obtained financing collateralized by equipment from a financial institution for a total loan balance of \$108,926. The terms require the loan to be repaid in 48 monthly installments that include principal and interest at a fixed interest rate of 3.78%. As of June 30, 2019 the balance due was \$54,247.

Future minimum payments for the equipment loan are as follows:

Year	Principal	Interest
2020	\$ 27,726	\$ 1,659
2021	26,521	593
	<u>\$ 54,247</u>	<u>\$ 2,252</u>

During the current year the School received long-term, non-interest bearing advances from Somerset Academy, Inc. The following schedule provides a summary of changes in long-term payables for the year ended June 30, 2019:

	Balance 07/01/18	Advances	Repayments	Balance 06/30/19
Due to Somerset Academy, Inc.	\$1,000,000	\$ -	\$ 300,000	\$ 700,000
Long term debt	81,411	-	27,164	54,247
Total Long Term Payables	<u>\$1,081,411</u>	<u>\$ -</u>	<u>\$ 327,164</u>	<u>\$ 754,247</u>

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

### Note 7 – Commitments, Contingencies and Concentrations

On April 1, 2016, the School entered into a new lease agreement with Zion Evangelical Lutheran Church of Pompano Beach for use of a new facility. This facility is shared with Somerset Academy Key High (a charter school under Somerset Academy, Inc.). Annual payments under this agreement are a base rent of \$420,000 annually plus \$700 for each student in excess of 600. The agreement continues through June 30, 2021 with eight additional five-year renewal options commencing on July 1, 2021.

Lease payments are allocated among the two schools based on enrollment and usage of facility. The allocation used for 2019, was approximately 35% for Somerset Academy Key High and 65% for the School.

**Note 7 – Commitments, Contingencies and Concentrations (continued)**

For 2019, rent expense totaled \$298,192. As of June 30, 2019 the School had \$666,610 in long-term prepaid rent related to this agreement of which \$46,200 is recorded as current portion based on student enrollment projections for next school year. The long term prepaid rent will be amortized by \$700 for each student in excess of 600. During the year \$33,390 were amortized.

Future minimum payments for the full lease (to be shared with Somerset Academy Key Charter High School) under the lease agreement are as follows:

Year		
2020	\$	420,000
2021	\$	420,000

**Contingencies and Concentrations**

The School receives substantially all of its funding from the State through 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, 2019, administrative fees withheld by the School District totaled \$80,457.

**Note 8 – Risk Management**

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

The School has entered into a strategic relationship with ADP TotalSource, 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.

Somerset Academy Key Charter Middle School  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2019

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**Note 9 – Inter-fund Transfer**

Interfund transfers in governmental funds as of June 30, 2019 consist of the following:

	General Fund	Special Revenue Fund	Non-Major Governmental Funds
To fund lunch deficit	\$ (8,417)	\$ 8,417	\$ -
Reimbursement from Federal Grants for prior period expenditures	10,439	(10,439)	-
To fund debt service fund for principal and interest payments	(29,385)	-	29,385
Total Transfers, net	<u>\$ (27,363)</u>	<u>\$ (2,022)</u>	<u>\$ 29,385</u>

Due from / (Due to) balances as of June 30, 2019 consist of the following:

Due to General Fund from Special Revenue Fund for Title IV and Unisig	\$ 81,132	\$ (81,132)	\$ -
Total Due from/(Due to)	<u>\$ 81,132</u>	<u>\$ (81,132)</u>	<u>\$ -</u>

**Note 10 – Defined Contribution Retirement Plan**

The School's personnel, who are leased through ADP Total Source Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School provides a match of 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed \$27,325 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.

## REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Key Charter Middle School  
(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
<b>REVENUES</b>			
State passed through local	\$ 2,738,500	\$ 2,685,377	\$ 2,686,388
Other revenues	20,000	20,415	20,660
Total Revenues	2,758,500	2,705,792	2,707,048
<b>EXPENDITURES</b>			
Current:			
Instruction	1,137,115	1,289,907	1,276,833
Student support services	60,691	50,741	49,587
Instructional staff training	3,000	2,740	2,715
Board	77,800	25,465	25,200
School administration	358,272	356,468	348,787
Fiscal services	67,500	63,600	63,600
Central services	74,500	88,600	82,064
Operation of plant	352,590	330,935	327,224
Maintenance of plant	128,300	153,000	139,474
Administrative technology services	36,000	25,282	24,257
Community Services	5,088	11,000	10,389
Total Current Expenditures	2,300,856	2,397,738	2,350,130
Excess (Deficit) of Revenues Over Current Expenditures	457,644	308,054	356,918
Capital Outlay	76,000	125,000	117,715
Total Expenditures	2,376,856	2,522,738	2,467,845
Excess of Revenues Over Expenditures	381,644	183,054	239,203
Other financing sources (uses):			
Transfers in (out)	(28,000)	(30,736)	(27,363)
Long term repayments to other divisions	-	(300,000)	(300,000)
Net change in fund balance	353,644	(147,682)	(88,160)
Fund Balance at beginning of year	331,347	331,347	331,347
Fund Balance at end of year	\$ 684,991	\$ 183,665	\$ 243,187

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 Key Charter Middle School  
(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			
Federal sources	\$ 225,000	\$ 286,599	\$ 287,323
Student lunch fees	100,060	124,000	124,377
Total Revenues	325,060	410,599	411,700
EXPENDITURES			
Current:			
Instruction	151,760	186,499	185,512
School administration	50,000	92,000	91,372
Food services	123,300	133,100	132,794
Total Current Expenditures	325,060	411,599	409,678
Excess (Deficit) of Revenues Over Expenditures	-	(1,000)	2,022
Other financing sources (uses)			
Transfers in (out)	-	1,000	(2,022)
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 Key Charter Middle School  
Deerfield Beach, 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 Key Charter Middle School (the "School") as of, and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 30, 2019.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

We noted certain matters that were reported to management in a separate management letter dated September 30, 2019 pursuant to Chapter 10.850, Rules of the Auditor General.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 30, 2019



## MANAGEMENT LETTER

To the Board of Directors of  
Somerset Academy Key Charter Middle School  
Deerfield Beach, Florida

### **Report on the Financial Statements**

We have audited the financial statements of Somerset Academy Key Charter Middle School, Deerfield Beach, Florida, as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated September 30, 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 September 30, 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.

See heading 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 Somerset Academy Key Charter Middle School, 5413.

## Financial Condition and Management

Section 10.854(1)(e)2. 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Somerset Academy Key Charter Middle School 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 Key Charter Middle School 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 Key Charter Middle School. It is management's responsibility to monitor Somerset Academy Key Charter Middle School financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we had the following recommendation:

### **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 misstated Annual Property Inventory.
Recommendation:	We recommend that the School performs 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:	The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or cash receipts by establishing a general policy regarding the collection of money as detailed in the School's "Internal Accounts – Policies and Procedures" handbook.
Condition:	We noted that 2 (two) of a total of twenty (20) deposits did not have recap sheets signed by the treasurer.
Cause:	The condition results from school personnel not consistently adhering to the policies and procedures regarding the collection of money as detailed in the handbook.
Effect:	Failure to perform the procedures mentioned above could result in misappropriation of assets.
Recommendation:	We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all deposits and cash receipts are properly counted, reviewed, and reconciled to the amount deposited in the bank account.
Status:	During our current year audit procedures we noted that for our sample the recap sheets on file were signed by the treasurer. Therefore, the School's management implemented our recommendations.

### **ML – 18-02 INTERNAL ACCOUNT DISBURSEMENTS**

Criteria:	The School designed and implemented an internal control system to reduce the risk of misappropriation of assets and/or invalid payments by establishing a general policy regarding cash disbursements as detailed in the School's "Internal Accounts – Policies and Procedures" handbook.
Condition:	We noted that thirteen (13) out of thirty-five (35) disbursements selected for testing were missing invoices.
Cause:	The condition results from school personnel not consistently adhering to the policies and procedures regarding the cash disbursements / expenses as detailed in the handbook.
Effect:	Failure to perform the procedures mentioned above could result in misappropriation of assets and/or invalid payments.

Recommendation: We recommend that the School adheres to its internal control policies and procedures relating to the internal account so that all disbursements are properly approved and have proper documentation.

Status: During our current year audit procedures we noted that for our disbursement sample the invoices were on file. Therefore, the School's management implemented our recommendations.

### **Transparency**

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Somerset Academy Key Charter Middle School 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 Key Charter Middle School 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.

### **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 Broward County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 30, 2019