



Somerset Academy Village  
(A Charter School and Component Unit  
of the School Board of Broward County, Florida)  
W/L# 5004

Wilton Manors, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2019

## TABLE OF CONTENTS

General Information . . . . .	1	
Independent Auditors' Report. . . . .	2-3	
Management's Discussion and Analysis (Required Supplementary Information) . . . . .	4-8	
<b>Basic Financial Statements:</b>		
<i>Government-wide Financial Statements:</i>		
Statement of Net Position . . . . .	9	
Statement of Activities. . . . .	10	
<i>Fund Financial Statements:</i>		
Balance Sheet - Governmental Funds. . . . .	11	
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position . . . . .	12	
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds . . . . .	13	
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities. . . . .	14	
Statement of Net Position – Fiduciary Fund. . . . .	15	
Notes to the Basic Financial Statements . . . . .	16-27	
<b>Required Supplementary Information:</b>		
Budgetary Comparison Schedules. . . . .	28-29	
<b>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 <i>Government Auditing Standards</i> . . . . .</b>		30-31
<b>Management Letter . . . . .</b>	32-34	

Somerset Academy Village  
(A charter school under Somerset Academy, Inc.)  
W/L# 5004  
225 NW 29<sup>th</sup> Street  
Wilton Manors, 33311

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

Anthony Marucci, 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  
Somerset Academy Village  
Wilton Manors, Florida

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Village 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 Village as of June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## **Other Reporting Required by Government Auditing Standards**

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 Village  
(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 \$1,062,084.
2. At year-end, the School had current assets on hand of \$1,067,143.
3. The net position of the School increased by \$138,286 during the year.
4. The unassigned fund balance at year end was \$914,750.

**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 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 major governmental funds. A budgetary comparison statement has been provided for its 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 - 27 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position was \$1,062,084 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	\$ 56,444	\$ 51,197
Investments	996,000	790,000
Prepaid expenses	14,699	10,637
Due from other agencies	-	5,242
Deposits receivable	27,932	27,932
Capital assets, net	104,703	137,278
<b>Total Assets</b>	<b>1,199,778</b>	<b>1,022,286</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>
Salaries and wages payable	80,019	98,488
Due to Somerset Academy Village Middle School	41,750	-
Accounts payable	15,925	-
<b>Total Liabilities</b>	<b>137,694</b>	<b>98,488</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	104,703	137,278
Unrestricted	957,381	786,520
<b>Total Net Position</b>	<b>\$ 1,062,084</b>	<b>\$ 923,798</b>

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

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

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Program Revenues		
Operating Grants and Contributions	\$ 134,029	\$ 129,039
Capital Grants and Contributions	157,250	122,044
Lunch Program	178,755	169,880
General Revenues		
Local Sources (FTE and other non specific)	1,767,778	1,801,181
Other Revenues	<u>22,758</u>	<u>9,617</u>
<b>Total Revenues</b>	<b>\$ 2,260,570</b>	<b>\$ 2,231,761</b>
 <b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 1,028,552	\$ 1,042,030
Instructional staff training	3,436	2,656
Board	17,583	18,450
School administration	322,643	313,038
Facilities acquisition	2,007	2,007
Fiscal services	36,450	37,950
Food services	185,510	177,554
Central services	50,843	54,721
Operation of plant	374,364	360,611
Maintenance of plant	72,653	101,554
Community Services	<u>28,243</u>	<u>-</u>
<b>Total Expenses</b>	<b><u>2,122,284</u></b>	<b><u>2,110,571</u></b>
Change in Net Position	138,286	121,190
Net Position at Beginning of Year	<u>923,798</u>	<u>802,608</u>
Net Position at End of Year	<b><u><u>\$ 1,062,084</u></u></b>	<b><u><u>\$ 923,798</u></u></b>

During 2019, the School's revenues and expenses increased by \$28,809 and \$11,713, respectively. The School had an increase in its net position of \$138,286 for the year.

### **Capital Improvement Requirements**

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

### **School Location**

For 2018-2019, the school continues to operate from its facility located at 225 NW 29<sup>th</sup> Street Wilton Manors, 33311.

### **Achievements**

In 2019, Somerset Village Academy proudly completed its 10<sup>th</sup> year of operations serving approximately 240 students in grades K-5. Designated as a Title "I" school by the Broward County Public School District, Somerset Village Academy achieved great academic progress for its students. This past year, Somerset Village raised its grade to an "A," ranking among the best performing schools in Broward County.



Somerset Village students are regarded as leaders in their community thanks to their performance in various competitions and community service activities. The school's culture includes raising socially responsible individuals, and this past year's fundraising efforts provided much needed donations to charities, including: The Kiwanis Club, Jump Rope for Heart, and the Broward County Angel Tree Harvest Drive (which helped to feed needy families on Thanksgiving Day).

At Somerset Academy Village, our goal is to ensure that all students are provided with the necessary tools to rise above and beyond. With the continued dedication of teachers, efforts of students, cooperation of parents, and the support of the community, everyone will succeed! This is why our motto for the year has been "Be Phenomenal!" because that is what we do on a daily basis

As a member of the Somerset Academy network of high quality charter schools, Somerset Village Academy 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 Village 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. 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 \$929,449. The fund balance unassigned and available for spending at the School's discretion is \$914,750. 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 \$104,703 (net of accumulated depreciation). This investment in capital assets includes building and improvements and furniture, equipment, and textbooks. As of June 30, 2019, the School had no long-term debt associated to its capital assets.

## Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
Capital grants and contributions	\$ 125,000	\$ 157,950	\$ 157,250
Federal sources	311,518	311,718	312,553
Lunch program fees	150	200	231
General Revenues			
FTE and other nonspecific revenues	1,693,750	1,765,695	1,767,778
Charges and other revenues	12,000	21,304	22,758
Total Revenues	<u>2,142,418</u>	<u>2,256,867</u>	<u>2,260,570</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	1,050,472	996,675	994,634
Instructional staff training	5,150	3,500	3,436
Board	49,000	19,613	17,583
School administration	225,008	323,047	322,643
Fiscal services	37,500	36,450	36,450
Food services	187,000	186,600	185,510
Central services	43,500	51,100	50,843
Operation of plant	419,675	361,350	360,281
Maintenance of plant	82,000	65,000	63,991
Community Services	21,642	30,000	28,243
Total Current Expenditures	<u>\$ 2,120,947</u>	<u>\$ 2,073,335</u>	<u>\$ 2,063,614</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 Village  
(A charter school under Somerset Academy, Inc.)

Statement of Net Position  
June 30, 2019

	<u>Governmental Activities</u>
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 56,444
Investments	996,000
Prepaid expenses	14,699
	<u>1,067,143</u>
Deposits receivable	27,932
Capital assets	943,908
Less: accumulated depreciation	<u>(839,205)</u>
	<u>104,703</u>
Total Assets	<u>1,199,778</u>
<b><u>Deferred Outflows of Resources</u></b>	
	<u>-</u>
<b><u>Liabilities</u></b>	
Current liabilities:	
Salaries and wages payable	80,019
Due to Somerset Academy Village Middle School	41,750
Accounts payable	15,925
Total Liabilities	<u>137,694</u>
<b><u>Deferred Inflows of Resources</u></b>	
	<u>-</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	104,703
Unrestricted	957,381
Total Net Position	<u>\$ 1,062,084</u>

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

Somerset Academy Village  
(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	
<b>Governmental activities:</b>					
Instruction	\$ 1,028,552	\$ -	\$ 125,552	\$ -	\$ (903,000)
Instructional staff training	3,436	-	1,498	-	(1,938)
Board	17,583	-	-	-	(17,583)
School administration	322,643	-	-	-	(322,643)
Facilities acquisition	2,007	-	-	-	(2,007)
Fiscal services	36,450	-	-	-	(36,450)
Food services	185,510	231	178,524	-	(6,755)
Central services	50,843	-	-	-	(50,843)
Operation of plant	374,364	-	-	157,250	(217,114)
Maintenance of plant	72,653	-	6,979	-	(65,674)
Community Services	28,243	-	-	-	(28,243)
<b>Total governmental activities</b>	<u>2,122,284</u>	<u>231</u>	<u>312,553</u>	<u>157,250</u>	<u>(1,652,250)</u>
General revenues:					
FTE and other nonspecific revenues					1,767,778
Interest and other revenue					<u>22,758</u>
Change in net position					138,286
Net position, beginning					<u>923,798</u>
Net position, ending					<u>\$ 1,062,084</u>

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

Somerset Academy Village  
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund (Non-major)	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 56,444	\$ -	\$ -	\$ 56,444
Investments	996,000	-	-	996,000
Prepaid expenses	14,699	-	-	14,699
Total Assets	<u>1,067,143</u>	<u>-</u>	<u>-</u>	<u>1,067,143</u>
<b><u>Deferred Outflows of Resources</u></b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>				
Salaries and wages payable	80,019	-	-	80,019
Due to Somerset Academy Village Middle School	41,750	-	-	41,750
Accounts payable	15,925	-	-	15,925
Total Liabilities	<u>137,694</u>	<u>-</u>	<u>-</u>	<u>137,694</u>
<b><u>Deferred Inflows of Resources</u></b>				
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund balance</u></b>				
Nonspendable, not in spendable form	14,699	-	-	14,699
Unassigned	914,750	-	-	914,750
	<u>929,449</u>	<u>-</u>	<u>-</u>	<u>929,449</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,067,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,067,143</u>

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

Somerset Academy Village  
(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 \$ 929,449

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

Capital assets of \$943,908 net of accumulated depreciation of \$839,205 used in governmental activities are not financial resources and therefore are not reported in the fund. 104,703

Long term deposits receivable in governmental activities are not financial resources and therefore are not reported in the governmental funds. 27,932

Total Net Position - Governmental Activities \$ 1,062,084

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

Somerset Academy Village  
(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	Capital Projects Fund (Non-major)	Total Governmental Funds
<b>Revenues:</b>				
State capital outlay	\$ -	\$ -	\$ 157,250	\$ 157,250
State passed through local	1,767,778	-	-	1,767,778
Federal sources	-	312,553	-	312,553
Charges and other revenue	22,758	231	-	22,989
<b>Total Revenues</b>	<b>1,790,536</b>	<b>312,784</b>	<b>157,250</b>	<b>2,260,570</b>
<b>Expenditures:</b>				
<b>Current</b>				
Instruction	869,082	125,552	-	994,634
Board	17,583	-	-	17,583
Instructional staff training	1,938	1,498	-	3,436
School administration	322,643	-	-	322,643
Fiscal services	36,450	-	-	36,450
Food services	-	185,510	-	185,510
Central services	50,843	-	-	50,843
Operation of plant	203,031	-	157,250	360,281
Maintenance of plant	63,991	-	-	63,991
Community Services	28,243	-	-	28,243
<b>Capital Outlay:</b>				
Other capital outlay	26,095	-	-	26,095
<b>Total Expenditures</b>	<b>1,619,899</b>	<b>312,560</b>	<b>157,250</b>	<b>2,089,709</b>
Excess (deficit) of revenues over expenditures	170,637	224	-	170,861
<b>Other financing sources (uses)</b>				
Transfers in (out)	224	(224)	-	-
Net change in fund balance	170,861	-	-	170,861
Fund Balance at beginning of year	758,588	-	-	758,588
Fund Balance at end of year	\$ 929,449	\$ -	\$ -	\$ 929,449

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

Somerset Academy Village  
(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 \$ 170,861

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 \$26,095 differed from depreciation expense of \$58,670.

(32,575)

Change in Net Position of Governmental Activities \$ 138,286

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



Somerset Academy Village  
(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	\$ 49,563
Total Assets	<u>49,563</u>
<b><u>Deferred Outflows of Resources</u></b>	
	<u>-</u>
<b><u>Liabilities</u></b>	
Due to students and clubs	49,563
Total Liabilities	<u>49,563</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 this financial statement.

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

### Reporting Entity

Somerset Academy Village (the "School"), is a component unit of the School Board of Broward County, Florida (the "District"). The School's charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc. which is composed of seven members and also governs other charter schools. The board of directors has determined that no component unit 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, 2020 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 Wilton Manors, Florida for students from kindergarten through fifth grades and is funded by the District. These financial statements are for the year ended June 30, 2019, when on average 243 students were enrolled for the school year.

### Basis of presentation

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

### Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

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

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

*Fund Financial Statements*

Fund financial statements are provided for governmental 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 inflow of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all other non-major funds aggregated in a single column in the fund financial statements:

*General Fund* - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

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

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

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

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.

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.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal deposit and investment policy that limits the School's allowable deposits or investments and address specific types of risk; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB Codification Section 3100 *Fair Value Measurement and Application* (see Note 3).

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

Due from Other Governments or Agencies

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

Capital Assets

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

Improvements	10 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

Compensated Absences

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

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 benefit 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.

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

Revenue Sources

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

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

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

Net position and Fund balance classifications

*Government-wide financial statements*

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

- a) Net investment in capital assets - 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 net balances that do not meet the definition of "restricted" or "net investment in capital assets."

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

### *Fund financial statements*

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but does 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 a 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.

### 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.

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

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 September 30, 2019, which is the date the financial statements were available to be issued.

**Note 2 –Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the period ended June 30, 2019:

	Balance 07/01/18	Additions	Reclass	Balance 06/30/19
Capital assets, depreciable:				
Buildings and Improvements	\$ 202,529	\$ -	\$ -	\$ 202,529
Computer equipment and software	359,192	16,283	-	375,475
Furniture, equipment and textbooks	356,092	9,812	-	365,904
Total Capital Assets	<u>917,813</u>	<u>26,095</u>	-	<u>943,908</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(144,554)	(19,216)	-	(163,770)
Computer equipment and software	(316,604)	(25,211)	-	(341,815)
Furniture, equipment and textbooks	(319,377)	(14,243)	-	(333,620)
Total Accumulated Depreciation	<u>(780,535)</u>	<u>(58,670)</u>	-	<u>(839,205)</u>
Capital Assets, net	<u>\$ 137,278</u>	<u>\$ (32,575)</u>	\$ -	<u>\$ 104,703</u>



**Note 2 – 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	\$	33,918
Facilities acquisition		2,007
Maintenance of plant		8,662
Operation of plant		14,083
Total Depreciation Expense	\$	<u>58,670</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 \$19,339.

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 \$69,477; 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 \$1,030,000 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.

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

#### 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 Service and Support Provider**

Academica Broward, LLC, an educational 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 with Somerset Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed for an additional period of five years. During the year ended June 30, 2019, the School incurred \$109,350, fees related to this agreement.

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

Somerset Academy, Inc. operates various charter schools. During 2019, the School shared its facility and its lunch program with Somerset Academy Village Charter Middle School (another charter school under Somerset Academy, Inc.). Through the board of directors, management allocates a proportionate share of leases, salaries, and supplies, and other expenses based on student enrollment and usage of facilities and staff to this school. Revenues and expenses related to the lunch program have been allocated based on FTE equivalent for purposes of presentation in the financial statements. In addition, Somerset Academy Village Charter Middle School's student activities account is recorded in the School's books.

Somerset Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid Somerset Academy, Inc. \$36,450 in connection with these charges during the year.

**Note 6 – Commitments, Contingencies, and Concentrations**

The School entered into an educational facilities license agreement with the Archdiocese of Miami, Inc. for the use of its existing facility through June 30, 2020. Initial annual payments under this agreement are \$340,000 plus \$790 per student per annum for every student in excess of 410 enrolled by the School at the facility, plus additional property costs including repairs, maintenance and insurance. Commencing on July 1, 2018 and in each year thereafter, annual payments and per student per annum rates will be adjusted based on the Consumer Price Index (CPI) or if CPI is unavailable, adjustment is three percent of the previous year's charges which is later reconciled when CPI becomes available.

Lease payments are allocated among the school and Somerset Academy Village Charter Middle School based on enrollment and usage of facility. The allocation used for 2019, was approximately 61% for the School and 39% for Somerset Academy Village Charter Middle School.

For 2019, rent expense totaled \$218,180.

Future minimum payments under the full amount of the agreement (to be shared with Somerset Academy Village Charter Middle School) are as follows:

Year	
2020	\$ 359,642

**Note 6 – Commitments, Contingencies, and Concentrations (continued)**

Contingencies and Concentrations

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

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% (or 2% if the school is high performing) of the qualifying revenues of the School. For the year ended June 30, 2019, administrative fees withheld by the School District totaled \$87,606.

**Note 7 – Risk Management**

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

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 8 – Interfund Transfers**

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

	General Fund	Special Revenue Fund
To fund deficits in the Federal National Lunch program	\$ (6,755)	\$ 6,755
Reimbursement from Federal RESTART Grant for prior period expenditures	6,979	(6,979)
Total Transfers, net	<u>\$ 224</u>	<u>\$ (224)</u>

**Note 9 – 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 provides a match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$19,168 for the year ended June 30, 2019. The School does not exercise any control or fiduciary responsibility over the Plan’s assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Village  
(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	\$ 1,693,750	\$ 1,765,695	\$ 1,767,778
Charges and other revenue	12,000	21,304	22,758
Total Revenues	<u>1,705,750</u>	<u>1,786,999</u>	<u>1,790,536</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	926,954	870,557	869,082
Instructional staff training	4,000	2,000	1,938
Board	49,000	19,613	17,583
School administration	225,008	323,047	322,643
Fiscal services	37,500	36,450	36,450
Central services	43,500	51,100	50,843
Operation of plant	294,675	203,400	203,031
Maintenance of plant	82,000	65,000	63,991
Community services	21,642	30,000	28,243
Total Current Expenditures	<u>1,684,279</u>	<u>1,601,167</u>	<u>1,593,804</u>
Excess of Revenues Over Current Expenditures	<u>21,471</u>	<u>185,832</u>	<u>196,732</u>
Capital Outlay	<u>35,000</u>	<u>26,500</u>	<u>26,095</u>
Total Expenditures	<u>1,719,279</u>	<u>1,627,667</u>	<u>1,619,899</u>
Excess (deficit) of Revenues Over Expenditures	(13,529)	159,332	170,637
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>(2,300)</u>	<u>224</u>
Net change in fund balance	(13,529)	157,032	170,861
Fund Balance at beginning of year	<u>758,588</u>	<u>758,588</u>	<u>758,588</u>
Fund Balance at end of year	<u>\$ 745,059</u>	<u>\$ 915,620</u>	<u>\$ 929,449</u>

Notes to Budgetary Comparison Schedule

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

Somerset Academy Village  
(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
<b>REVENUES</b>			
Federal sources	\$ 311,518	\$ 311,718	\$ 312,553
Charges for services	150	200	231
Total Revenues	<u>311,668</u>	<u>311,918</u>	<u>312,784</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	123,518	126,118	125,552
Instructional staff training	1,150	1,500	1,498
Food services	<u>187,000</u>	<u>186,600</u>	<u>185,510</u>
Total Current Expenditures	<u>311,668</u>	<u>314,218</u>	<u>312,560</u>
Excess (deficit) of Revenues Over Current Expenditures	<u>-</u>	<u>(2,300)</u>	<u>224</u>
Capital Outlay	-	-	-
Total Expenditures	<u>311,668</u>	<u>314,218</u>	<u>312,560</u>
Excess (deficit) of Revenues Over Expenditures	-	(2,300)	224
Other financing sources (uses)			
Transfers in (out)	<u>-</u>	<u>2,300</u>	<u>(224)</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  
Somerset Academy Village  
Wilton Manors, 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 Village (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 issued 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

Board of Directors of  
Somerset Academy Village  
Wilton Manors, Florida

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

We have audited the financial statements of Somerset Academy Village 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.

There were no findings and recommendations made in the preceding annual financial audit report.

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is: Somerset Academy Village (W/L# 5004)

## Financial Condition and Management

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 Somerset Academy Village 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 Somerset Academy Village did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Somerset Academy Village. It is management's responsibility to monitor Somerset Academy Village's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendation to improve financial management. In connection with our audit, we have 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 even though this inventory is maintained, 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 School with identifying the proper support to ensure schools are in full compliance with inventory requirements.

## **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 Village 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 Village 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