



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

Financial Statements and
Independent Auditors' Report

June 30, 2021

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

2020-2021

BOARD OF DIRECTORS

Todd German, Treasurer and Board Chair (Florida),
Ana Diaz, Secretary and Vice Chair
David Concepcion, Director
Dr. Bernard Kimmel, Director
Brian M. Cox, Director (Texas)

SCHOOL ADMINISTRATION

Cory Oliver, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Jefferson County Elementary
Monticello, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Elementary (the "School"), a charter school under Somerset Academy, Inc., which is a component unit of the School Board of Jefferson County, Florida, as of, and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Elementary as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Jefferson County Elementary as of June 30, 2021, 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, 2021 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 30 through 31 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2021 the School adopted new accounting guidance, GASB No. 84, Fiduciary Activities. Our opinion is not modified with respected to this matter.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2021

Management's Discussion and Analysis
Jefferson County Elementary
(A charter school Under Somerset Academy, Inc.)
June 30, 2021

The corporate officers of Jefferson County Elementary have prepared this narrative overview and analysis of the school's financial activities for the fiscal year ended June 30, 2021.

Financial Highlights

1. The net position of the School at June 30, 2021 was \$1,265,818.
2. At year-end, the School had current assets on hand of \$2,498,186.
3. The School had an increase in its net position of \$677,748 for the year ended June 30, 2021.
4. The unassigned fund balance at year end was \$1,350,562.

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, 2021 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

The basic governmental fund financial statements can be found on pages 11 – 14 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 15 - 29 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$1,265,818 at the close of the fiscal year. A summary of the School's net position as of June 30, 2021 and 2020 is as follows:

	2021	2020
Cash	\$ 299,889	\$ 60,195
Investments	226,000	957,000
Prepaid expenses	198,202	2,575
Due from other agencies	775,597	1,795,751
Due from other divisions of Somerset Academy, Inc.	998,498	1,260,666
Security deposit	29,715	29,715
Capital assets, net	1,401,276	1,436,008
Total Assets	3,929,177	5,541,910
Deferred outflows of resources	-	-
Salaries and wages payable	167,311	127,785
Accounts payable	279,163	288,306
Due to Somerset Academy, Inc.	1,050,000	2,800,000
Line of credit	950,000	1,250,000
Due to District	-	249,584
Term loan payable	216,885	317,465
Total Liabilities	2,663,359	5,033,140
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	1,184,391	391,696
Unrestricted	81,427	117,074
Total Net Position	\$ 1,265,818	\$ 508,770

At the end of the current fiscal year, the School reflected a positive balances in its net position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 1,266,855	\$ 1,509,201
Local Capital Improvement Revenue	516,069	507,894
Lunch Program fees	1,821	5,421
Charges for Services	47,598	45,830
General Revenues		
Local Sources(FTE and other non specific)	5,501,854	5,725,574
Other Revenues	134,535	128,895
Total Revenues	<u>\$ 7,468,732</u>	<u>\$ 7,922,815</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 3,760,530	\$ 4,213,051
Student support services	39,959	101,480
Instructional staff training	15,952	-
Board	59,956	44,188
School administration	675,651	738,386
Facilities acquisition and construction	45,216	45,216
Fiscal services	74,317	82,875
Food services	194,081	290,308
Central services	142,148	123,856
Student transportation services	215,736	208,031
Operation of plant	1,007,824	1,006,545
Maintenance of plant	188,867	174,330
Administrative technology services	34,043	29,746
Community services	103,851	73,432
Debt service-recoverable grant	200,000	-
Interest	32,853	55,330
Total Expenses	<u>6,790,984</u>	<u>7,186,774</u>
Decrease in Net Position	677,748	736,041
Net Position at Beginning of Year, as restated	588,070	(227,271)
Net Position at End of Year	<u>\$ 1,265,818</u>	<u>\$ 508,770</u>

At the end of the fiscal year School's, revenues and expenses decreased by \$454,083 and \$395,790, respectively resulting in an increase in net position of \$677,748 with an enrollment of 361 students.

School Location and Lease of Facility

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

Capital Improvement Requirements

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

School Enrollment

This past year, the School had on average 361 students enrolled in grades kindergarten through fifth.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

Governmental Funds

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

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature. At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$1,572,044. The fund balance unassigned and available for spending at the School's discretion is \$1,350,562. 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, 2021 amounts to \$1,401,276 (net of accumulated depreciation). This investment in capital assets includes building and improvements, furniture, fixtures and computer equipment. As of June 30, 2021, the School had \$216,885 of long term debt relating to capital assets.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Local capital improvement revenue	\$ 451,941	\$ 516,100	\$ 516,069
Federal sources	1,234,151	1,257,001	1,266,855
Lunch program fees	1,000	1,000	1,821
General Revenues			
FTE and other nonspecific revenues	5,385,452	6,280,620	6,336,357
Charges and other revenues	120,500	138,500	182,133
Total Revenues	<u>\$ 7,193,044</u>	<u>\$ 8,193,221</u>	<u>\$ 8,303,235</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	\$ 3,107,734	\$ 3,081,385	\$ 3,067,331
Student support services	52,271	32,082	39,959
Instructional staff training	25,000	20,500	15,952
Board	41,425	61,863	59,956
School administration	598,148	551,741	666,815
Fiscal services	77,567	74,317	74,317
Food services	196,777	195,740	194,081
Central services	142,567	146,817	142,148
Student transportation services	122,396	129,494	215,736
Operation of plant	951,227	1,025,308	921,842
Maintenance of plant	96,941	40,481	160,948
Administrative technology services	36,180	34,536	34,043
Community services	70,000	57,000	103,851
Interest expense	70,000	32,853	32,853
Total Current Expenditures	<u>\$ 5,588,233</u>	<u>\$ 5,484,117</u>	<u>\$ 5,729,832</u>

Most variances occurred as a result of the Budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Ana Martinez at Academica Dade, LLC, 6340 Sunset Drive, Miami, Florida, 33143.

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

Statement of Net Position
June 30, 2021

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 299,889
Investments	226,000
Prepaid expenses	198,202
Due from other agencies	775,597
Due from other divisions of Somerset Academy, Inc.	998,498
Total Current Assets	<u>2,498,186</u>
Security deposit	<u>29,715</u>
Capital assets, depreciable	2,841,789
Less: accumulated depreciation	<u>(1,440,513)</u>
	<u>1,401,276</u>
Total Assets	<u>3,929,177</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	167,311
Accounts payable	279,163
Line of credit	950,000
Term loan payable-due within one year	87,687
Total Current Liabilities	<u>1,484,161</u>
Due to Somerset Academy, Inc.	1,050,000
Term loan payable	129,198
Total Long-Term Liabilities	<u>1,179,198</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	1,184,391
Unrestricted	81,427
Total Net Position	<u>\$ 1,265,818</u>

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

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

Statement of Activities
For the year ended June 30, 2021

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,760,530	\$ 12,784	\$ 637,155	\$ -	\$ (3,110,591)
Student support services	39,959	-	19,029	-	(20,930)
Instructional staff training	15,952	-	-	-	(15,952)
Board	59,956	-	-	-	(59,956)
School administration	675,651	-	134,742	-	(540,909)
Facilities acquisition and construction	45,216	-	-	-	(45,216)
Fiscal services	74,317	-	-	-	(74,317)
Food services	194,081	1,821	210,951	-	18,691
Central services	142,148	-	-	-	(142,148)
Student transportation services	215,736	-	87,587	-	(128,149)
Operation of plant	1,007,824	-	40,736	516,069	(451,019)
Maintenance of plant	188,867	-	136,655	-	(52,212)
Administrative technology services	34,043	-	-	-	(34,043)
Community services	103,851	34,814	-	-	(69,037)
Interest	32,853	-	-	-	(32,853)
Debt service-recoverable grant	200,000	-	-	-	(200,000)
Total governmental activities	6,790,984	49,419	1,266,855	516,069	(4,958,641)

General revenues:

FTE and other nonspecific revenues	5,501,854
Interest and other revenue	134,535
Change in net position	677,748
Net position, beginning, as restated	588,070
Net position, ending	\$ 1,265,818

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

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

Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 215,975	\$ 83,914	\$ 299,889
Investments	226,000	-	226,000
Due from other agencies	379,843	-	379,843
Prepaid expenses	198,202	-	198,202
Due from other division of Somerset Academy, Inc.	998,498	-	998,498
Total Assets	<u>2,018,518</u>	<u>83,914</u>	<u>2,102,432</u>
<u>Deferred Outflows of Resources</u>			
	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>			
Salaries and wages payable	167,311	-	167,311
Accounts payable	279,163	-	279,163
Total Liabilities	<u>446,474</u>	<u>-</u>	<u>446,474</u>
<u>Deferred Inflows of Resources</u>			
	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund Balance</u>			
Nonspendable, not in spendable form	198,202	-	198,202
Assigned	-	83,914	83,914
Unassigned	1,373,842	-	1,373,842
	<u>1,572,044</u>	<u>83,914</u>	<u>1,655,958</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,018,518</u>	<u>\$ 83,914</u>	<u>\$ 2,102,432</u>

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

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2021

Total Fund Balance - Governmental Funds \$ 1,655,958

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

Capital assets of \$2,841,789 net of accumulated depreciation of \$1,440,513 used in governmental activities are not financial resources and therefore are not reported in the fund. 1,401,276

Long term liabilities in governmental activities are not financial resources and therefore are not reported in the governmental funds. (2,216,885)

Receivables in governmental activities that are not collected within 60 days are not current financial resources and therefore are not reported in the governmental funds. 395,754

Long term receivables in governmental activities are not financial resources and therefore are not reported in the governmental funds. 29,715

Total Net Position - Governmental Activities \$ 1,265,818

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2021

	General Fund	Special Revenue Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:				
Local capital improvement revenue	\$ -	\$ -	\$ 516,069	\$ 516,069
State passed through local	6,336,357	-	-	6,336,357
Federal sources	-	1,266,855	-	1,266,855
Lunch program fees	-	1,821	-	1,821
Charges for services and other revenue	147,319	34,814	-	182,133
Total Revenues	6,483,676	1,303,490	516,069	8,303,235
Expenditures:				
Current				
Instruction	2,430,176	637,155	-	3,067,331
Student support services	20,930	19,029	-	39,959
Board	59,956	-	-	59,956
Instructional staff training	15,952	-	-	15,952
School administration	532,073	134,742	-	666,815
Fiscal services	74,317	-	-	74,317
Food services	-	194,081	-	194,081
Central services	142,148	-	-	142,148
Student transportation services	128,149	87,587	-	215,736
Operation of plant	365,037	40,736	516,069	921,842
Maintenance of plant	24,293	136,655	-	160,948
Administrative technology services	34,043	-	-	34,043
Community services	55,286	48,565	-	103,851
Capital Outlay:				
Other capital outlay	407,394	-	-	407,394
Debt service:				
Repayment of long-term debt	-	-	667,317	667,317
Interest expense	-	-	32,853	32,853
Total Expenditures	4,289,754	1,298,550	1,216,239	6,804,543
Excess (deficit) of revenues over expenditures	2,193,922	4,940	(700,170)	1,498,692
Other financing sources (uses)				
Transfers in (out)	(681,479)	(18,691)	700,170	-
Proceeds from term loan	266,737	-	-	266,737
Repayment of recoverable grant	(200,000)	-	-	(200,000)
Repayment to Somerset Academy, Inc., net	(1,750,000)	-	-	(1,750,000)
Net change in fund balance	(170,820)	(13,751)	-	(184,571)
Fund Balance at beginning of year, as restated	1,742,864	97,665	-	1,840,529
Fund Balance at end of year	\$ 1,572,044	\$ 83,914	\$ -	\$ 1,655,958

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

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2021

Net Change in Fund Balance - Governmental Funds \$ (184,571)

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 \$407,394 differs from depreciation expense of \$442,127. (34,733)

Decrease in long term payables is an other financing use in the governmental funds, but a decreases long-term liabilities in the statement of net position. This is the amount by long-term payables decreased. 2,150,580

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measureable and available in the governmental funds. This is the difference between revenues recognized under in the government fund of \$2,503,860 and revenues recognized in the government wide statement of \$1,669,357, less write-off of \$419,025 of prior year disallowed revenue. (1,253,528)

Change in Net Position of Governmental Activities \$ 677,748

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Jefferson County Elementary (the "School"), is a component unit of the School Board of Jefferson County, Florida (the "District"). The School's charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of five members and also governs other charter schools. The board of directors has determined that no component units exist that would require inclusion in the School's financial statements.

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

The School is located in Monticello, Florida for students from grades kindergarten through fifth and is funded by the District. These financial statements are for the year ended June 30, 2021, when on average 343 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. Accordingly, the basic financial statement include both the government-wide and fund financial statements.

Deferred Outflows/Inflows of Resources

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements

Government – wide Financial Statements

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

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

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds, even though the fiduciary funds are not included in the government-wide financial statements. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

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

Special Revenue Fund – accounts for specific revenues, such as federal funding, federal lunch program, and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes. Also, accounts for resources of the School's Internal Fund, which is used to administer monies collected 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. 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 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 follows the provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and External Investment Pools, GASB Statement No. 72, *Fair Value Measurement and Application*, and other related standards which establish accounting and financial reporting standards for all investments (see Note 2). Money market investment that have maturities of one year or less from the date of acquisition are reported at amortized cost rather than fair value. Amortized cost closely approximates fair value.

Inter-fund Transfers

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

Due from Other Governments or Agencies

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

Long –Term Debt

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

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of \$1,000 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 government wide financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Proceeds received from the sale of or disposal of capital assets are recorded as other financing sources in the fund financial statements. Estimated useful lives, in years, for depreciable assets are as follows:

Building & Improvements	20 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. Employees may to “cash out” unused sick days however, the employees may only cash out if they have used three days or less of their sick leave in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused sick days.

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

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

Revenue Sources

Revenues for current operations are received primarily from the State through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School will report the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP.

Note 1 – Summary of Significant Accounting Policies (continued)

Revenue Sources (continued)

Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives states funds through the district under charter school capital outlay funding pursuant to section 1013.62, Florida statutes funds are based on capital outlay plans submitted 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 balances that do not meet the definition of "restricted" or "Net investment in capital assets."

When both restricted and unrestricted resources are available for a specific purpose, it is the District's policy to use restricted resources first, until exhausted, before using unrestricted resources.

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 prepaid expenses.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned balances pertain to the School's internal account.
- 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.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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 29, 2021, which is the date the financial statements were available to be issued.

New Accounting Standard Adopted

In fiscal year 2021, the School adopted statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 84 *Fiduciary Activities*. See Note 11.

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 87 *Leases, effective fiscal year 2022*, that will affect the future financial position, results of operations, or financial presentation of the School upon implementation. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

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, 2021:

	Balance 07/01/20	Additions	Retirements	Balance 06/30/21
Capital Assets:				
Improvements non-building	\$ 184,072	\$ -	\$ -	\$ 184,072
Buildings and improvements	762,508	78,095	-	840,603
Computer equipment and software	622,769	-	-	622,769
Furniture, equipment and textbooks	865,046	329,299	-	1,194,345
Total Capital Assets	<u>2,434,395</u>	<u>407,394</u>	<u>-</u>	<u>2,841,789</u>
Less Accumulated Depreciation:				
Improvements non-building	(74,875)	(36,816)	-	(111,691)
Buildings and improvements	(199,104)	(81,934)	-	(281,038)
Computer equipment and software	(318,775)	(124,632)	-	(443,407)
Furniture, equipment and textbooks	(405,632)	(198,745)	-	(604,377)
Total Accumulated Depreciation	<u>(998,386)</u>	<u>(442,127)</u>	<u>-</u>	<u>(1,440,513)</u>
Capital Assets, net	<u>\$ 1,436,009</u>	<u>\$ (34,733)</u>	<u>\$ -</u>	<u>\$ 1,401,276</u>

Note 2 –Capital Assets (Continued)

For the fiscal year ended June 30, 2021, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$	274,174
School administration		8,836
Facilities acquisition		45,216
Operation of plant		85,982
Maintenance of plant		27,919
Total Depreciation Expense	\$	<u>442,127</u>

Note 3 – Cash and Investments

Deposits

The School maintains its cash and cash equivalents in three financial institutions. 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, 2021, bank balances in potential excess of FDIC coverage was approximately \$127,662.

Investments

The School follows the Governmental Accounting Standards Board (GASB) Statement No. 72, *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, 2021, the School had \$2,580,000 invested in a governmental money market mutual fund that is exempt from GASB 72 fair value hierarchy disclosures. The governmental 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 June 30, 2021, maturities of the fund’s portfolio holdings are approximately 79% within 30 days.

Note 3 – Cash 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, 2021, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

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

Note 4 – Education Services and Support Provider Agreement

Academica Dade, LLC, a professional education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2022, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2021, the School incurred \$222,950 in fees.

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

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

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

Somerset Academy, Inc. (the “Corporation”) charges an assessment to all of its affiliated schools for shared corporate costs and accreditation expenses. During 2021, the School paid \$51,450 to the Corporation for these shared costs.

During the year ended June 30, 2018, the school received a recoverable grant from Somerset Academy, Inc. totaling \$700,000 with repayment contingent on the school subsequently meeting certain financial conditions. As of June 30, 2021, management determined that the School had met the requirements for repayment under the grant terms. As of June 30, 2021, all recoverable grants were repaid and no amounts are due.

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

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

	Balance 07/01/20	Additions	Deletions	Balance 06/30/21
Due from other divisions				
Somerset Academy, Inc. NSLP	\$ 811,563	\$ 968,592	\$ 1,158,674	\$ 621,481
Jefferson County Middle School	72,086	-	72,086	-
Jefferson County High School	377,017	-	-	377,017
Total receivable	<u>\$ 1,260,666</u>	<u>\$ 968,592</u>	<u>\$ 1,230,760</u>	<u>\$ 998,498</u>
Due to charter holder	07/01/20	Additions	Deletions	06/30/21
Somerset Academy, Inc.	<u>\$ 2,800,000</u>	<u>\$ 200,000</u>	<u>\$ 1,950,000</u>	<u>\$ 1,050,000</u>
Total Long Term Payable	<u>\$ 2,800,000</u>	<u>\$ 200,000</u>	<u>\$ 1,950,000</u>	<u>\$ 1,050,000</u>

Note 6 – Long Term Debt

Somerset Academy, Inc. obtained a term loan from JP Morgan Chase Bank in the amount of \$907,940. This note matures on October 25, 2021 and accrues interest at 3.83%. This note is secured by certain of the School’s capital assets. The JP Morgan Chase Bank note was paid off via a new term loan with Regions Bank in the amount of \$266,737 with a maturity date of November 2023 and accruing interest at 3.25%. The following summarizes the activity during the year:

	<u>Balance</u> 07/01/20	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 06/30/21
JP Morgan Chase term loan	\$ 317,465	\$ -	\$ 317,465	\$ -
Regions Bank term loan	-	266,737	49,852	216,885
Total Term Loan Payable	<u>\$ 317,465</u>	<u>\$ 266,737</u>	<u>\$ 367,317</u>	<u>\$ 216,885</u>

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

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$87,687	\$5,750
2023	\$90,580	\$2,858
2024	\$38,618	\$314

The School shares a \$2,000,000 revolving line of credit under Somerset Academy, Inc. from a financial institution for working capital purposes with Jefferson County Middle School and Jefferson County High School. The facility currently bears an interest rate of 1.85% per annum and is due in full with all accrued interest at maturity on March 12, 2022. The line of credit is secured by all business assets of Somerset Academy, Inc. As of June 30, 2021, the outstanding balance on the line that pertains to the School is \$950,000.

Interest expense for the year ended June 30, 2021 was \$25,982.

Note 7 – Inter-fund Transfers

Inter-fund transfers in governmental funds as of June 30, 2021, consist of the following:

	<u>General Fund</u>	<u>Special</u> <u>Revenue Fund</u>	<u>Non-Major</u> <u>Governmental</u> <u>Funds</u>
To transfer lunch funds	\$ 18,691	\$ (18,691)	\$ -
Transfer to Debt Service Fund to cover debt service	(700,170)	-	700,170
Total Transfers, net	<u>\$ (681,479)</u>	<u>\$ (18,691)</u>	<u>\$ 700,170</u>

Note 8 – Commitments, Contingencies and Concentrations

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

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

Future minimum payments for the leases are as follows:

<u>Year</u>	
2022	\$ 2

Contingencies

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School participates in a number of federal, state and

local grants which are subject to financial and compliance audits. It is the opinion of management that the amount of revenue, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2021, administrative fees withheld by the School District totaled \$124,432.

Note 9 – Risk Management

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

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

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

Note 10 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School approved a match of 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed \$99,446 to the Plan for the year ended June 30, 2021 . The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Voya Financial.

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

Note 11 – Implementation of GASB 84

As of July 1, 2020, the School implemented GASB Statement No. 84. Fiduciary Activities. This Statement establishes new criteria for identifying fiduciary activities which, when met, require that activities be reported in a fiduciary fund in the basic financial statements. Items previously reported as part of the agency fund classification of the Fiduciary Fund statements were reviewed to evaluate if they met the new custodial funds criteria. The School identified the School's internal account as non-fiduciary and re-categorized them as assigned in the Special Revenue Fund.

The government-wide net position and fund balances were restated as a result of the implementation of GASB Statement No. 84 as follows:

	Fiscal year June 30, 2020 <u>(Original)</u>	GASB Statement No. 84	Fiscal year June 30, 2021 <u>(Restated)</u>
Net change in fund balance	\$ 160,224		\$ 160,224
Fund balance (deficit) at beginning	1,601,005		1,601,005
Restatement of beginning fund balance	<u>-</u>	<u>79,300</u>	<u>79,300</u>
Fund balance (deficit) at end of year	<u>\$ 1,761,229</u>		<u>\$ 1,840,529</u>
Net change in net position	\$ 736,041		\$ 736,041
Net position (deficit) at beginning	(227,271)		(227,271)
Restatement of beginning net position	<u>-</u>	<u>79,300</u>	<u>79,300</u>
Net position (deficit) at end of year	<u>\$ 508,770</u>		<u>\$ 588,070</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2021

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 5,385,452	\$ 6,280,620	\$ 6,336,357
Charges and other revenue	120,500	138,500	147,319
Total Revenues	<u>5,505,952</u>	<u>6,419,120</u>	<u>6,483,676</u>
EXPENDITURES			
Instruction	2,468,619	2,442,405	2,430,176
Student support services	52,271	32,082	20,930
Instructional staff training	25,000	20,500	15,952
Board	41,425	61,863	59,956
School administration	598,148	551,741	532,073
Fiscal services	77,567	74,317	74,317
Central services	142,567	146,817	142,148
Student transportation services	122,396	129,494	128,149
Operation of plant	360,836	371,528	365,037
Maintenance of plant	96,941	40,481	24,293
Administrative technology services	36,180	34,536	34,043
Community services	70,000	57,000	55,286
Total Current Expenditures	<u>4,091,950</u>	<u>3,962,764</u>	<u>3,882,360</u>
Deficit of Revenues Over Current Expenditures	<u>1,414,002</u>	<u>2,456,356</u>	<u>2,601,316</u>
Capital Outlay	<u>408,150</u>	<u>408,150</u>	<u>407,394</u>
Total Expenditures	<u>4,500,100</u>	<u>4,370,914</u>	<u>4,289,754</u>
Deficit of Revenues Over Expenditures	1,005,852	2,048,206	2,193,922
Other financing sources (uses):			
Transfers in (out)	(726,137)	(716,886)	(681,479)
Proceeds from term loan	-	266,737	266,737
Repayment of recoverable grant	-	(200,000)	(200,000)
Repayment to Somerset Academy, Inc.	-	(1,750,000)	(1,750,000)
Net change in fund balance	279,715	(351,943)	(170,820)
Fund Balance at beginning of year	<u>1,742,864</u>	<u>1,742,864</u>	<u>1,742,864</u>
Fund Balance at end of year	<u>\$ 2,022,579</u>	<u>\$ 1,390,921</u>	<u>\$ 1,572,044</u>

Notes to Budgetary Comparison Schedule

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

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2021

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	\$ 1,234,151	\$ 1,257,001	\$ 1,266,855
Charges for services	32,555	33,560	34,814
Lunch program fees	1,000	1,000	1,821
Total Revenues	<u>1,267,706</u>	<u>1,291,561</u>	<u>1,303,490</u>
EXPENDITURES			
Current:			
Instruction	639,115	638,980	637,155
Student support services	21,850	20,200	19,029
School administration	136,400	135,500	134,742
Food services	196,777	195,740	194,081
Student transportation services	89,650	88,900	87,587
Operation of plant	42,102	41,500	40,736
Maintenance of plant	138,450	137,680	136,655
Community services	50,663	49,777	48,565
Total Current Expenditures	<u>1,315,007</u>	<u>1,308,277</u>	<u>1,298,550</u>
Excess of Revenues Over Current Expenditures	<u>(47,301)</u>	<u>(16,716)</u>	<u>4,940</u>
Other financing sources (uses)			
Transfers in (out)	<u>47,301</u>	<u>16,716</u>	<u>(18,691)</u>
Net change in fund balance	-	-	(13,751)
Fund Balance at beginning of year	<u>97,665</u>	<u>97,665</u>	<u>97,665</u>
Fund Balance at end of year	<u>\$ 97,665</u>	<u>\$ 97,665</u>	<u>\$ 83,914</u>

Notes to Budgetary Comparison Schedule

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



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

Board of Directors of
Jefferson County Elementary
Monticello, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Jefferson County Elementary (the "School") as of, and for the year ended June 30, 2021, 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 29, 2021.

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 (internal control) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We issued in a separate management report dated September 29, 2021 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.

Handwritten signature in blue ink that reads "HLB Gravier, LLP".

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2021



MANAGEMENT LETTER

Board of Directors of
Jefferson County Elementary
Monticello, Florida

Report on the Financial Statements

We have audited the financial statements of Jefferson County Elementary, Monticello, Florida as of and for the fiscal year ended June 30, 2021 and have issued our report thereon dated September 29, 2021.

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 29, 2021, 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 recommendation made in the preceding 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 Jefferson County Elementary.

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Jefferson County Elementary has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Jefferson County Elementary did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition (Continued)

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

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

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

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Jefferson County Elementary maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In Connection with our audit, we determined that Charter School name maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 29, 2021