



Somerset Academy Bay
WL# 5062
(A Charter School under Somerset Academy, Inc.)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2021

TABLE OF CONTENTS

General Information	1
Independent Auditors' Report	2-3
Management's Discussion and Analysis (Required Supplementary Information)	4-8
Basic Financial Statements:	
<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
<i>Notes to the Basic Financial Statements</i>	15-27
Required Supplementary Information:	
Budgetary comparison schedules	28-29
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>	30-31
Management Letter	32-33

Somerset Academy Bay
(A charter school under Somerset Academy, Inc.)
W/L# 5062
9500 SW 97th Avenue
Miami, Florida 33176

2020-2021

BOARD OF DIRECTORS

Todd German, Board Chair & Treasurer
Ana Diaz, Vice-Chair & Secretary
David Concepcion, Director
Dr. Bernard Kimmel, Director
Brian Matthew Cox, Director, (Texas)

OTHER NON-VOTING OFFICERS:

Bernardo Montero, President
Suzette Ruiz, Vice-President

SCHOOL ADMINISTRATION

Saili Hernandez, Principal



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Bay
Miami, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Bay (the “School”), a charter school under Somerset Academy, Inc., 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.

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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 Bay, 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 Somerset Academy Bay 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.

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 pages 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 14, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 14, 2021

Management's Discussion and Analysis
Somerset Academy Bay
(A Charter school Under Somerset Academy, Inc.)
June 30, 2021

The corporate officers of Somerset Academy Inc. have prepared this narrative overview and analysis of the Somerset Academy Bay'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 \$556,932.
2. At year-end, the School had current assets on hand of \$1,548,382.
3. The School had an increase in its net position of \$208,986.
4. The unassigned fund balance at year end was \$747,512.

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 or fiduciary 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 - 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 \$ 556,932 at the close of the fiscal year. A summary of the School's net position as of June 30, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
Cash	\$ 419,383	\$ 90,172
Investments	540,000	210,000
Prepaid expenses and other assets	168,443	2,521
Due from other agencies	420,556	33,550
Due from other divisions of Somerset Academy Inc., long-term	-	153,418
Capital assets, net	<u>203,523</u>	<u>249,952</u>
Total Assets	<u>1,751,905</u>	<u>739,613</u>
Deferred outflows of resources	-	-
Accounts payable and accrued liabilities	219,973	150,651
Due to other divisions of Somerset Academy, Inc.	<u>975,000</u>	<u>225,000</u>
Total Liabilities	<u>1,194,973</u>	<u>375,651</u>
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	203,523	403,370
Unrestricted (deficit)	<u>353,409</u>	<u>(62,706)</u>
Total Net Position	<u>\$ 556,932</u>	<u>\$ 340,664</u>

At the end of the year, 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 year ended June 30, 2021 and 2020 follows:

	<u>2021</u>	<u>2020</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 398,273	\$ 33,876
Capital Grants and Contributions	259,833	218,725
Charges for Services	366,180	259,553
General Revenues		
Local Sources (FTE and other non specific)	3,250,111	3,018,392
Other Revenues	186,808	70,559
Total Revenues	<u>\$ 4,461,205</u>	<u>\$ 3,601,105</u>
EXPENSES		
Instruction	\$ 1,809,238	\$ 2,082,772
Student support services	4,764	8,092
Instructional staff training	1,150	185
Board	25,115	23,189
General administration	38,068	-
School administration	319,039	373,719
Fiscal services	64,125	58,875
Food services	62,108	90,344
Central services	87,637	87,496
Operation of plant	796,152	772,712
Maintenance of plant	202,188	119,293
Administrative technology services	-	3,405
Community Services	92,635	-
Debt Service	750,000	-
Total Expenses	<u>4,252,219</u>	<u>3,620,082</u>
Change in Net Position	208,986	(18,977)
Net Position at Beginning of Year, as restated	347,946	359,641
Net Position at End of Year	<u>\$ 556,932</u>	<u>\$ 340,664</u>

The School's revenues and expenses increased by \$860,100 and \$632,137, respectively, in the current year. The School had a increase in its net position of \$208,986 for the year.

School Location and Lease of Facility

The School leases a facility located at 9500 SW 97th Avenue, Miami, FL 33176.

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 428 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 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 \$915,955. The fund balance unassigned and available for spending at the School's discretion is \$747,512. 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 \$203,523 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and computer equipment. As of June 30, 2021, 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 funds to demonstrate compliance with the School’s budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
Federal sources	\$ 14,100	\$ 15,500	\$ 15,856
Lunch program	14,551	15,750	16,108
Charges and other revenues	120,210	120,850	121,384
General Revenues			
FTE nonspecific revenues	3,112,700	3,222,531	3,250,111
Charges and other revenues	429,540	430,750	431,604
Total Revenues	<u>3,691,101</u>	<u>3,805,381</u>	<u>3,835,063</u>
CURRENT EXPENDITURES			
Instruction	2,103,822	1,989,502	1,766,092
Student support services	12,075	5,000	4,764
Instructional staff training	2,000	2,000	1,150
Board	30,938	28,031	25,115
General administration	38,620	38,690	38,068
School administration	322,333	319,235	313,346
Fiscal services	64,750	64,125	64,125
Food services	63,800	62,420	61,628
Central services	91,350	91,725	87,637
Operation of plant	716,760	762,518	764,214
Maintenance of plant	205,512	201,000	197,914
Community Services	96,333	95,132	92,635
Total Current Expenditures	<u>\$ 3,748,293</u>	<u>\$ 3,659,378</u>	<u>\$ 3,416,688</u>

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

Requests for Information

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

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

Statement of Net Position
June 30, 2021

	Primary Government Governmental Activities
<u>Assets</u>	
Current assets:	
Cash	\$ 419,383
Investments	540,000
Prepaid expenses and other assets	168,443
Due from other agencies	420,556
Total current assets	1,548,382
Capital assets, depreciable	477,118
Less: accumulated depreciation	(273,595)
	203,523
Total Assets	\$ 1,751,905
<u>Deferred Outflows of Resources</u>	
	-
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	\$ 154,738
Accounts payable	65,235
Total current liabilities	219,973
Due to other divisions of Somerset Academy, Inc.	975,000
Total liabilities	1,194,973
<u>Deferred Inflows of Resources</u>	
	-
<u>Net Position</u>	
Net investment in capital assets	203,523
Unrestricted	353,409
Total Net Position	\$ 556,932

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

Statement of Activities
For the year ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Primay Government:					
Governmental activities:					
Instruction	\$ 1,809,238	\$ 244,796	\$ 382,165	\$ -	\$ (1,182,277)
Student support services	4,764	-	-	-	(4,764)
Instructional staff training	1,150	-	-	-	(1,150)
Board	25,115	-	-	-	(25,115)
General administration	38,068	-	-	-	(38,068)
School administration	319,039	-	-	-	(319,039)
Fiscal services	64,125	-	-	-	(64,125)
Food services	62,108	33,461	16,108	-	(12,539)
Central services	87,637	-	-	-	(87,637)
Operation of plant	796,152	-	-	259,833	(536,319)
Maintenance of plant	202,188	-	-	-	(202,188)
Community Services	92,635	87,923	-	-	(4,712)
Debt Service	750,000	-	-	-	(750,000)
Total governmental activities	<u>4,252,219</u>	<u>366,180</u>	<u>398,273</u>	<u>259,833</u>	<u>(3,227,933)</u>
General revenues:					
FTE and other nonspecific revenues					3,250,111
Other revenue					<u>186,808</u>
Change in net position					208,986
Net position, beginning, as restated					<u>347,946</u>
Net position, ending					<u>\$ 556,932</u>

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

Balance Sheet - Governmental Funds
June 30, 2021

	General Fund	Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 373,238	\$ 46,145	\$ -	\$ 419,383
Investments	540,000	-	-	540,000
Due from other agencies	18,085	15,856	20,306	54,247
Due from fund	36,162	-	-	36,162
Prepaid expenses	168,443	-	-	168,443
Total Assets	<u>1,135,928</u>	<u>62,001</u>	<u>20,306</u>	<u>1,218,235</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Salaries and wages payable	154,738	-	-	154,738
Accounts payable	65,235	-	-	65,235
Due to fund	-	15,856	20,306	36,162
Total Liabilities	<u>219,973</u>	<u>15,856</u>	<u>20,306</u>	<u>256,135</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	168,443	-	-	168,443
Assigned	-	46,145	-	46,145
Unassigned	747,512	-	-	747,512
	<u>915,955</u>	<u>46,145</u>	<u>-</u>	<u>962,100</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,135,928</u>	<u>\$ 62,001</u>	<u>\$ 20,306</u>	<u>\$ 1,218,235</u>

Somerset Academy Bay
(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 \$ 962,100

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

Capital assets of \$477,118 net of accumulated depreciation of \$273,595 used in governmental activities are not financial resources and therefore are not reported in the fund. 203,523

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. 366,309

Long term liabilities were not due and payable in the current period and, therefore, are not reported in the fund. (975,000)

Total Net Position - Governmental Activities \$ 556,932

Somerset Academy Bay
(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:				
State passed through local	\$ 3,250,111	\$ -	\$ -	\$ 3,250,111
State capital outlay funding	-	-	259,833	259,833
Federal sources	-	15,856	-	15,856
Lunch program	-	16,108	-	16,108
Charges and other revenue	431,604	121,384	-	552,988
Total Revenues	3,681,715	153,348	259,833	4,094,896
Expenditures:				
Current				
Instruction	1,416,240	349,852	-	1,766,092
Student support services	4,764	-	-	4,764
Instructional staff training	1,150	-	-	1,150
Board	25,115	-	-	25,115
General administration	38,068	-	-	38,068
School administration	313,346	-	-	313,346
Fiscal services	64,125	-	-	64,125
Food services	-	61,628	-	61,628
Central services	87,637	-	-	87,637
Operation of plant	504,381	-	259,833	764,214
Maintenance of plant	197,914	-	-	197,914
Community Services	-	92,635	-	92,635
Capital Outlay:				
Other capital outlay	6,789	32,313	-	39,102
Total Expenditures	2,659,529	536,428	259,833	3,455,790
Excess (deficit) of revenues over expenditures	1,022,186	(383,080)	-	639,106
Other financing sources (uses):				
Decreases in long-term receivables	153,418	-	-	153,418
Transfers in (out)	(421,943)	421,943	-	-
Repayment of long-term advances	-	-	-	-
Net change in fund balance	753,661	38,863	-	792,524
Fund Balance at beginning of year, as restated	162,294	7,282	-	169,576
Fund Balance at end of year	\$ 915,955	\$ 46,145	\$ -	\$ 962,100

Somerset Academy Bay
(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 \$ 792,524

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, their costs are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays net of retirements of \$39,102 exceeded depreciation expense net of retirements of \$85,531. (46,429)

Increase in long term receivables is an expenditure in the governmental funds, but a decrease or collections of such receivables reduces long-term assets in the statement of net position. This is the amount by which increases of long term receivables of \$0 differed from decreases of \$153,418 in the current period. (153,418)

Revenues are recognized using the full accrual basis of accounting in the government-wide statements. However, revenues are recognized when they are measurable and available in the governmental funds. These revenues did not meet the recognition criteria during the current year and, therefore, were not reported in the governmental funds. 366,309

The proceeds from long term payables provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. Decreases in debt principal is an expenditure in the governmental funds, but also reduces long-term liabilities in the statement of net position. This is the amount by which decreases of \$0 differed from increases of \$750,000. (750,000)

Change in Net Position of Governmental Activities \$ 208,986

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Bay (the "School"), is a charter school sponsored by the School Board of Miami-Dade 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 five members and also governs other charter schools. The board has determined that no component units exist that would be require inclusion in the School's financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2032 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 Miami, Florida for students from kindergarten through fifth grade and is funded by the District. These financial statements are for the period through June 30, 2021, when on average 428 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

Government Wide Financial Statements

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

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. 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.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Financial Statements

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

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

Special Revenue Fund – accounts for specific revenues, such as federal funding and 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*.

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.

Note 1 – Summary of Significant Accounting Policies (continued)

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.

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.

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 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.

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 sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Estimated useful lives, in years, for depreciable assets are as follows:

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

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.

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 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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 financial 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.

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.

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, reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "net investment in capital assets"

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 inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- 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. As of June 30, 2021, the assigned balances pertained 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.

New Accounting Standard Adopted

In fiscal year 2021, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: Statement No. 84 *Fiduciary Activities*. See Note 10.

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 adoption of GASB 87 will have a material impact on the School's financial position and results of operations. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Prepaid Expenses and Other Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

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 14, 2021, 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, 2021:

	Balance 07/01/20	Additions	Reclassifications	Balance 06/30/21
Capital Assets:				
Depreciable:				
Computer equipment and software	\$ 42,825	\$ -	\$ 18,350	\$ 61,175
Improvements	75,345	-	(18,350)	56,995
Furniture, equipment and textbooks	319,846	39,102	-	358,948
Total Capital Assets	\$ 438,016	\$ 39,102	\$ -	\$ 477,118
Less Accumulated Depreciation:				
Computer equipment and software	\$ (35,992)	\$ (11,346)	\$ -	\$ (47,338)
Improvements	(30,706)	(5,063)	-	(35,769)
Furniture, equipment and textbooks	(121,366)	(69,122)	-	(190,488)
Total Accumulated Depreciation	(188,064)	(85,531)	-	(273,595)
Capital Assets, net	\$ 249,952	\$ (46,429)	\$ -	\$ 203,523

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

Instruction	\$ 43,146
School administration	5,693
Food service	480
Operation of plant	31,938
Maintenance of Plant	4,274
Total Depreciation Expense	\$ 85,531

Note 3 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in two 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 \$165,000.

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 \$540,000 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.

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 Service and Support Provider

Academica Dade, LLC, an education service and support provider, provides administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual services. The agreement between the School and the education service and support provider calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. 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 \$192,375 in fees of which approximately \$3,600 is payable at year end.

Note 5 – Transactions with Divisions of Somerset Academy, Inc. and Others

Charter Schools under Somerset Academy, Inc.

The School shares its facility with Somerset Academy Bay Middle School (another charter school under Somerset Academy, Inc.). Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment. In addition, the School holds the student activities fund of Somerset Academy Bay Middle School.

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

The following schedule provides a summary of changes in long-term payables to other charter schools for the year ended June 30, 2021:

	<u>Balance</u> 07/01/20	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> 06/30/21
Due to Somerset Academy, Inc., long-term	\$ -	\$ 750,000	\$ -	\$ 750,000
Due to Somerset South Miami, long-term	225,000	-	-	225,000
Total long term payables	<u>\$ 225,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ 975,000</u>

Recoverable Grant

The School received recoverable grants from Somerset Academy, Inc. in prior periods totaling \$750,000. The purpose of these grants is for the School to fund operating expenses. Under the terms, the School would repay the corporate account of Somerset Academy, Inc. contingent on subsequently meeting certain financial conditions. To date management has determined that the School has met the requirements for repayment under the grant terms and as a result the outstanding balance of \$750,000 was included as an expense in the current year and is included in long term payables below.

Note 5 – Transactions with Divisions of Somerset Academy, Inc. and Others (continued)

Somerset Academy, Inc. charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During the 2020-2021 school year, the School paid \$64,200 to Somerset Academy, Inc. for these shared costs.

The School had a long-term receivable in connection with a deposit made on behalf of Somerset Academy, Inc. in connection to the purchase of the land and property leased in the Educational Facilities Lease Agreement. The following schedule provides a summary of changes in the corresponding deposit, design costs, and long-term debt due from Somerset Academy, Inc. for the year ended June 30, 2021:

	Balance 07/01/20	Increases	Decreases	Balance 06/30/21
Due from Somerset Academy, Inc.	<u>\$ 153,418</u>	<u>\$ -</u>	<u>\$(153,418)</u>	<u>\$ -</u>
Total long-term receivables	<u>\$ 153,418</u>	<u>\$ -</u>	<u>\$(153,418)</u>	<u>\$ -</u>

Note 6 – Commitments, Contingencies and Concentrations

Bond Issue and Repayment

On December 6, 2017, the Somerset Academy Inc. (“Charter Holder”) entered into a Financing Agreement (“Agreement”) with a Lender and the Miami-Dade County Industrial Development Authority (“Issuer”) whereby the Issuer issued its Miami-Dade County Industrial Development Authority Revenue Bond (Somerset Academy Project), Series 2017, in a principal amount of up to \$12,000,000 (the “Bond”) on behalf of the Charter Holder. Pursuant to the terms of the Agreement, Lender shall, through the purchase of the Series 2017 Bond, lend to the Organization an amount equal to \$12,000,000 (the “Loan”), which Loan shall be disbursed in accordance with the Agreement.

The proceeds of the Bond issue will be used for the financing of construction of educational facilities consisting of a new two (2) story classroom, multi-purpose room and administrative offices building containing approximately thirty-four thousand (34,000) square feet, to be constructed on the Project Land, and renovations to the existing structure currently situated on the Project Land and for the costs associated with the issuance of the Series 2017 Bond and the Loan.

The Loan is secured by a first mortgage on the Project Land owned by the Charter Holder and escrow funds as required per Agreement. The Project Land consists of the Charter Holder’s current site for the School and Somerset Bay Middle located at 9500 SW 97 Avenue and 9600 SW 97 Avenue in Miami, Florida, respectively.

Note 6 – Commitments, Contingencies and Concentrations (continued)

Through a Usage Fee Agreement approved by the Board of Directors of the Charter Holder, all Capital and Operating costs as defined herein will be due on a monthly basis. The School shall pay the Charter Holder the sum of \$1,100 per year for each student enrolled in the School year, but not less than a combined 290 students for a minimum annual guarantee of \$319,000. In addition, the School will be responsible on a pro rata basis based upon enrollment for the payment of all insurance, property taxes, management fees, repairs and maintenance, replacements and restorations of loss or damage of whatever kind in connection with the property.

Usage fee payments are allocated between the School and Somerset Bay Middle School based on enrollment and usage of facility. The allocation used for 2021, was approximately 35% for Somerset Bay Middle School and 65% for the School. For 2021, rent expense totaled \$470,800.

The bond agreements contain various covenants, restrictions and financial test requirements. In the event an instance of default is not remedied, the maturity can be accelerated and / or the underlying collateral may be subject to foreclosure.

The debt service on the tax-exempt bond financing for the Charter Holder (which will be allocated between the two Schools) is as follows:

Year Ending June 30,	Principal	Interest
2022	388,694	306,638
2023	399,590	295,741
2024	399,590	295,741
2025	422,286	273,046
2026	434,123	261,208
2027-2031	2,359,431	1,117,225
2032-2036	2,709,026	767,630
2037-2041	3,111,367	365,289
2042	1,020,465	22,532
	\$ 11,244,571	\$ 3,705,050

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.

Note 6 – Commitments, Contingencies and Concentrations (continued)

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 2% of the qualifying revenues of the School. For the year ended June 30, 2021, administrative fees withheld by the School District totaled \$37,826.

Note 7 – Inter-fund Transfers

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

	General Fund	Special Revenue Fund	Capital Projects Fund
To Fund Lunch Deficit	\$ (12,059)	\$ 12,059	\$ -
To fund GEERS federal expenditures for which revenues were not available	(95,508)	95,508	-
To fund ESSER federal expenditures for which revenues were not available	(270,801)	270,801	-
To transfer funds from General Fund to Special Revenue for the Internal Account	(43,575)	43,575	-
Total Transfers, net	<u>\$ (421,943)</u>	<u>\$ 421,943</u>	<u>\$ -</u>
Due to General Fund from Capital Projects Fund for capital outlay	\$ 20,306	\$ -	\$ (20,306)
Due to General Fund from Special Revenue Fund for Title IV	15,856	(15,856)	-
Total Due from/(Due to)	<u>\$ 36,162</u>	<u>\$ (15,856)</u>	<u>\$ (20,306)</u>

Note 8 – Risk Management

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

The School has entered into a strategic relationship with ADP TotalSource Group, 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 9 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School’s personnel, who are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School will match 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed to the Plan \$52,188 for the year ended June 30, 2021. The School does not exercise any control or fiduciary responsibility over the Plan’s assets, which are administered by Voya Financial.

Note 10 – 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 Original	GASB Statement No.84	Fiscal Year June 30, 2021 (Restated)
Net change in fund balances	\$ 55,575		\$ 55,575
Fund balances (deficit) at beginning	106,719		106,719
Restatement of beginning fund balances	-	7,282	7,282
Fund balances (deficit) at the end of year	<u>\$ 162,294</u>		<u>\$ 169,576</u>
Change in net position	\$ (18,977)		\$ (18,977)
Net position (deficit), beginning	359,641		359,641
Restatement of beginning net position	-	7,282	7,282
Net position (deficit), ending	<u>\$ 340,664</u>		<u>\$ 347,946</u>

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Bay
(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	\$ 3,112,700	\$ 3,222,531	\$ 3,250,111
Charges and other revenue	429,540	430,750	431,604
Total Revenues	<u>3,542,240</u>	<u>3,653,281</u>	<u>3,681,715</u>
EXPENDITURES			
Current:			
Instruction	1,768,148	1,654,791	1,416,240
Student support services	12,075	5,000	4,764
Instructional staff training	2,000	2,000	1,150
Board	30,938	28,031	25,115
General administration	38,620	38,690	38,068
School administration	322,333	319,235	313,346
Fiscal services	64,750	64,125	64,125
Central services	91,350	91,725	87,637
Operation of plant	504,260	502,618	504,381
Maintenance of plant	205,512	201,000	197,914
Total Current Expenditures	<u>3,039,986</u>	<u>2,907,215</u>	<u>2,652,740</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>502,254</u>	<u>746,066</u>	<u>1,028,975</u>
Capital Outlay			
Other Capital Outlay	7,500	7,500	6,789
Total Expenditures	<u>3,047,486</u>	<u>2,914,715</u>	<u>2,659,529</u>
Excess/(Deficit) of Revenues Over Expenditures	494,754	738,566	1,022,186
Other financing sources (uses):			
Decreases in long-term receivables	-	153,418	153,418
Transfers in (out)	<u>(381,446)</u>	<u>(423,345)</u>	<u>(421,943)</u>
Net change in fund balance	113,308	468,639	753,661
Fund Balance at beginning of year	<u>162,294</u>	<u>162,294</u>	<u>162,294</u>
Fund Balance at end of year	<u>\$ 275,602</u>	<u>\$ 630,933</u>	<u>\$ 915,955</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 Bay
(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	\$ 14,100	\$ 15,500	\$ 15,856
Lunch program	14,551	15,750	16,108
Charges and other revenue	120,210	120,850	121,384
Total Revenues	<u>148,861</u>	<u>152,100</u>	<u>153,348</u>
EXPENDITURES			
Current:			
Instruction	335,674	334,711	349,852
Food services	63,800	62,420	61,628
Community Services	96,333	95,132	92,635
Total Current Expenditures	<u>495,807</u>	<u>492,263</u>	<u>504,115</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>(346,946)</u>	<u>(340,163)</u>	<u>(350,767)</u>
Capital Outlay	34,500	34,500	32,313
Total Expenditures	<u>530,307</u>	<u>526,763</u>	<u>536,428</u>
Excess/(Deficit) of Revenues Over Expenditures	(381,446)	(374,663)	(383,080)
Other financing sources (uses)			
Transfers in (out)	<u>381,446</u>	<u>423,345</u>	<u>421,943</u>
Net change in fund balance	-	48,682	38,863
Fund Balance at beginning of year, as restated	<u>7,282</u>	<u>7,282</u>	<u>7,282</u>
Fund Balance at end of year	<u>\$ 7,282</u>	<u>\$ 55,964</u>	<u>\$ 46,145</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*

To the Board of Directors of
Somerset Academy Bay
Miami, 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 Bay (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 14, 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) 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 14, 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 14, 2021



MANAGEMENT LETTER

To the Board of Directors of
Somerset Academy Bay
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Bay, Miami, FL as of and for the year ended June 30, 2021 and have issued our report thereon dated September 14, 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.

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 14, 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 or recommendations made in the preceding 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 Bay, (W/L#5062).

Financial Condition and Management

Sections 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 Bay has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Somerset Academy Bay 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 Bay. It is management's responsibility to monitor Somerset Academy Bay'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 address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Somerset Academy Bay 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 Bay 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, require 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 Miami-Dade County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 14, 2021