



Somerset Academy St. Lucie  
(A charter school under Somerset Academy, Inc. and Component Unit  
of the School Board of St. Lucie County, Florida)  
WL# 0703

Port St. Lucie, 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
<b>Basic Financial Statements:</b>	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position. . . . .	9
Statement of Activities. . . . .	10
<i>Fund Financial Statements:</i>	
Balance Sheet - Governmental Funds. . . . .	11
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position. . . . .	12
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds. . . . .	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities. . . . .	14
Notes to the Basic Financial Statements . . . . .	15-29
<b>Required Supplementary Information:</b>	
Budgetary comparison schedule . . . . .	30
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> . . . . .	31-32
<b>Management Letter</b> . . . . .	33-34

Somerset Academy St. Lucie  
(A Charter School under Somerset Academy, Inc.)  
WL# 0703

4402 SW Yamada Dr.  
Port St. Lucie, Florida 34953

2020-2021

BOARD OF DIRECTORS

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

SCHOOL ADMINISTRATION

Joann Roach, Principal



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Somerset Academy St. Lucie  
Port St. Lucie, Florida

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

### **Auditors’ Responsibility**

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Somerset Academy St. Lucie 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 St. Lucie 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 30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **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.



Coral Gables, Florida  
September 29, 2021

CERTIFIED PUBLIC ACCOUNTANTS

**Management's Discussion and Analysis**  
Somerset Academy St. Lucie  
(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 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 \$223,271.
2. At year-end, the School had current assets on hand of \$865,408.
3. The School had an increase in its net position of \$80,076 for the year ended June 30, 2021.
4. The unassigned fund balance at year end was a deficit of \$(169,585).

**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 and deferred outflows of resources and liabilities and deferred inflows of resources. The difference between the two is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

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

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

Fund Financial Statements

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

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

The Board of the School adopts an annual appropriated budget for its major governmental funds. A budgetary comparison statement has been provided for 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, net position was \$223,271 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	\$ 126,317	\$ 24,772
Investments	236,000	399,000
Prepaid expenses and other current assets	315,513	42,431
Due from other agencies	187,578	72,656
Capital assets, net	421,524	611,879
<b>Total Assets</b>	<b>1,286,932</b>	<b>1,150,738</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>
Accounts payable and accrued liabilities	472,094	372,700
Due to Somerset College Preparatory Academy	37,405	37,404
Due to Somerset Academy, Inc.	75,000	-
Long term debt	479,162	609,498
<b>Total Liabilities</b>	<b>1,063,661</b>	<b>1,019,602</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	8,429	19,689
Unrestricted	214,842	111,447
<b>Total Net Position</b>	<b>\$ 223,271</b>	<b>\$ 131,136</b>

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

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

	<u>2021</u>	<u>2020</u>
<b>REVENUES</b>		
Program Revenues		
Capital Grants and Contributions	\$ 389,057	\$ 342,676
Federal Sources	372,375	72,656
Charges for Services	351,691	271,146
General Revenues		
Local sources (FTE and other non specific)	4,471,552	4,292,254
Other Revenues	276,316	390,302
<b>Total Revenues</b>	<u>\$ 5,860,991</u>	<u>\$ 5,369,034</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 3,038,631	\$ 2,753,093
Student personnel services	14,029	-
Instructional staff training	5,512	4,450
Board	33,515	31,601
School administration	608,852	623,859
Fiscal services	93,225	87,525
Central services	111,647	100,126
Pupil transportation services	214,879	199,607
Operation of plant	1,366,485	1,313,185
Maintenance of plant	166,269	135,440
Administrative technology services	39,367	34,711
Community services	63,027	-
Interest	25,477	32,571
<b>Total Expenses</b>	<u>5,780,915</u>	<u>5,316,168</u>
Change in Net Position	80,076	52,866
Net Position at Beginning of Year, as restated	<u>143,195</u>	<u>78,270</u>
Net Position at End of Year	<u>\$ 223,271</u>	<u>\$ 131,136</u>

During 2021, the School's revenues and expenses increased by \$491,957 and \$464,747, respectively. The School had an increase in its net position of \$80,076 for the year.



## **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 \$145,928. The fund balance unassigned and available for spending at the School's discretion is a deficit of \$(169,585). These funds will be available for the School's future ongoing operations.

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

The School leases a facility located at 4402 SW Yamada Drive, Port St. Lucie, Florida 34953.

### **Capital Improvement Requirements**

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

### **Capital Assets**

The School's investment in capital assets as of June 30, 2021 amounts to \$421,524 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, fixtures, vehicles and computer equipment. As of June 30, 2021, the School had approximately \$554,000 in long-term debt associated to its capital assets and working capital.

## Governmental Fund Budget Analysis and Highlights

Prior to the start of the School’s fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for total governmental funds (both general fund and special revenue funds) to demonstrate compliance with the School’s budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
<b>REVENUES</b>			
Program Revenues			
State capital outlay funding	\$ 387,050	\$ 388,150	\$ 389,057
Federal sources	187,665	188,150	189,797
Charges for Services	63,110	64,002	65,911
General Revenues			
FTE nonspecific revenues	4,602,063	4,467,236	4,471,552
Charge for services and other revenues	415,598	559,824	562,096
Total Revenues	<u>5,655,486</u>	<u>5,667,362</u>	<u>5,678,413</u>
<b>CURRENT EXPENDITURES</b>			
Component Unit Activities			
Instruction	2,694,743	2,936,822	2,929,401
Student personnel services	20,608	15,881	14,029
Instructional staff training	6,500	6,500	5,512
Board	37,438	34,288	33,515
School administration	612,897	609,070	608,764
Fiscal services	105,750	93,250	93,225
Central services	122,750	111,150	110,827
Pupil transportation services	56,176	94,210	93,167
Operation of plant	1,365,448	1,347,457	1,344,962
Maintenance of plant	175,998	145,995	143,692
Administrative technology services	39,334	40,475	39,367
Community services	65,110	64,112	63,027
Total Current Expenditures	<u>\$ 5,302,752</u>	<u>\$ 5,499,210</u>	<u>\$ 5,479,488</u>

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

### Requests for Information

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

Somerset Academy St. Lucie  
(A charter school under Somerset Academy, Inc.)  
Statement of Net Position  
June 30, 2021

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<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 126,317
Investments	236,000
Prepaid expenses and other current assets	315,513
Due from other agencies	<u>187,578</u>
Total Current Assets	865,408
Capital assets, depreciable	1,309,008
Less: accumulated depreciation	<u>(887,484)</u>
	<u>421,524</u>
Total Assets	<u>1,286,932</u>
 <u>Deferred Outflows of Resources</u>	 <u>-</u>
 <u>Liabilities</u>	
Current liabilities:	
Accounts payable	303,739
Due to Somerset College Preparatory Academy	37,405
Salaries and wages payable	168,355
Current portion of long term debt	<u>168,433</u>
Total Current Liabilities	677,932
Due to Somerset Academy, Inc.	75,000
Long term debt	<u>310,729</u>
Total Liabilities	1,063,661
 <u>Deferred Inflows of Resources</u>	 <u>-</u>
 <u>Net Position</u>	
Net investment in capital assets	8,429
Unrestricted	<u>214,842</u>
Total Net Position	<u>\$ 223,271</u>

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

Somerset Academy St. Lucie  
(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	
<b>Governmental activities:</b>					
Instruction	\$ 3,038,631	\$ 285,780	\$ 355,671	\$ -	\$ (2,397,180)
Student personnel services	14,029	-	-	-	(14,029)
Instructional staff training	5,512	-	-	-	(5,512)
Board	33,515	-	-	-	(33,515)
School administration	608,852	-	-	-	(608,852)
Fiscal services	93,225	-	-	-	(93,225)
Central services	111,647	-	-	-	(111,647)
Pupil transportation services	214,879	-	-	-	(214,879)
Operation of plant	1,366,485	-	3,826	378,066	(984,593)
Maintenance of plant	166,269	-	12,878	10,991	(142,400)
Administrative technology services	39,367	-	-	-	(39,367)
Community services	63,027	65,911	-	-	2,884
Interest	25,477	-	-	-	(25,477)
<b>Total governmental activities</b>	<b>5,780,915</b>	<b>351,691</b>	<b>372,375</b>	<b>389,057</b>	<b>(4,667,792)</b>

General revenues:	
FTE and other nonspecific revenues	4,471,552
Other revenues	276,316
	<u>4,747,868</u>
Change in net position	80,076
Net position, beginning, as restated	143,195
Net position, ending	<u>\$ 223,271</u>

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

Somerset Academy St. Lucie  
(A charter school under Somerset Academy, Inc.)  
Balance Sheet - Governmental Funds  
June 30, 2021

	General Fund	Non-Major Funds	Total Governmental Funds
<b><u>Assets</u></b>			
Cash	\$ 98,914	\$ 27,403	\$ 126,317
Investments	236,000	-	236,000
Due from other agencies	-	5,000	5,000
Due from fund	5,000	-	5,000
Prepaid expenses	315,513	-	315,513
Total Assets	<u>655,427</u>	<u>32,403</u>	<u>687,830</u>
<b><u>Deferred Outflows of Resources</u></b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Liabilities</u></b>			
Accounts payable	303,739	-	303,739
Due to Somerset College Preparatory Academy	37,405	-	37,405
Due to other fund	-	5,000	5,000
Salaries and wages payable	168,355	-	168,355
Total Liabilities	<u>509,499</u>	<u>5,000</u>	<u>514,499</u>
<b><u>Deferred Inflows of Resources</u></b>			
	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>Fund Balance</u></b>			
Nonspendable, not in spendable form	315,513	-	315,513
Assigned	-	27,403	27,403
Unassigned	(169,585)	-	(169,585)
	<u>145,928</u>	<u>27,403</u>	<u>173,331</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 655,427</u>	<u>\$ 32,403</u>	<u>\$ 687,830</u>

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

Somerset Academy St. Lucie  
 (A charter school under Somerset Academy, Inc.)  
 Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
 June 30, 2021

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Total Fund Balance - Governmental Funds \$ 173,331

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

Capital assets of \$1,309,008 net of accumulated depreciation of \$887,484 used in governmental activities are not financial resources and therefore are not reported in the fund. 421,524

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. 182,578

Long-term liabilities of \$554,162 is not due and payable in the current period and therefore is not reported in the governmental funds. (554,162)

Total Net Position - Governmental Activities \$ 223,271

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

## Somerset Academy St. Lucie

(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	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
State capital outlay funding	\$ -	\$ 389,057	\$ 389,057
State passed through local	4,471,552	-	4,471,552
Federal sources	-	189,797	189,797
Charges and other revenue	562,096	65,911	628,007
<b>Total Revenues</b>	<b>5,033,648</b>	<b>644,765</b>	<b>5,678,413</b>
<b>Expenditures:</b>			
<b>Current</b>			
Instruction	2,596,481	332,920	2,929,401
Student personnel services	14,029	-	14,029
Instructional staff training	5,512	-	5,512
Board	33,515	-	33,515
School administration	608,764	-	608,764
Fiscal services	93,225	-	93,225
Central services	110,827	-	110,827
Pupil transportation services	93,167	-	93,167
Operation of plant	963,070	381,892	1,344,962
Maintenance of plant	119,823	23,869	143,692
Administrative technology services	39,367	-	39,367
Community services	-	63,027	63,027
<b>Capital Outlay:</b>			
Other capital outlay	62,844	22,751	85,595
<b>Debt service:</b>			
Repayment of capital lease and long term debt	-	403,781	403,781
Interest	-	25,477	25,477
<b>Total Expenditures</b>	<b>4,740,624</b>	<b>1,253,717</b>	<b>5,994,341</b>
Excess (deficit) of revenues over expenditures	293,024	(608,952)	(315,928)
<b>Other financing sources (uses)</b>			
Transfers in (out)	(624,296)	624,296	-
Proceeds from note payable	273,445	-	273,445
Advances from Somerset Academy, Inc.	75,000	-	75,000
Net change in fund balance	17,173	15,344	32,517
Fund Balance at beginning of year, as restated	128,755	12,059	140,814
Fund Balance at end of year	<b>\$ 145,928</b>	<b>\$ 27,403</b>	<b>\$ 173,331</b>

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

Somerset Academy St. Lucie  
 (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

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Net Change in Fund Balance - Governmental Funds \$ 32,517

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 \$85,595 differed from depreciation expense of \$275,950. (190,355)

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. 182,578

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which repayments of \$403,781 differed from proceeds of \$348,445 in the current period. 55,336

Change in Net Position of Governmental Activities \$ 80,076

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



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

### Reporting Entity

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

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of St. Lucie County, Florida. The current charter contract expires on June 30, 2023 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Port St. Lucie, Florida serving students from kindergarten through fifth grades and is funded by the District. These financial statements are for the year ended June 30, 2021, on average 622 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 statements 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 for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

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

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

### Government-wide and Fund Financial Statements

#### *Government-wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal 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 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: student activity fees; (2) 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 funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow 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.

### 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.

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

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. 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.

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.

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 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.

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

Cash and Investments (continued)

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.

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.

Inter-fund Transfers

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

Due from Other Governments or Agencies

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

Capital Assets

The School's property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost a 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 the government-wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

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

Leasehold Improvements	3-5 Years
Furniture, Equipment, Computers and Software	3-5 Years
Vehicles	5 Years

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

Compensated Absences

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

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Revenue Sources

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

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

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

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

#### Net position and Fund balance classifications

##### *Government-wide financial statements*

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

- a) Net investment in capital assets- consists of capital assets net of accumulated depreciation 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 positions - all other balances that do not meet the definition of "restricted" or "net investments in capital assets."

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

##### *Fund financial statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be properly reported within one of the fund balance categories 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 (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.

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

- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. 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.

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.

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.

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.

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.

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 9.

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 – Cash 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 totaled \$126,991.

### 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 \$350,000 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.



Somerset Academy St. Lucie  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2021

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**Note 3 –Capital Assets**

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2021:

	Balance 07/01/20	Additions	Reclassification/ Retirements	Balance 06/30/21
Capital Assets:				
Computer equipment	\$ 278,225	\$ -	\$ (21,094)	\$ 257,131
Leasehold improvements	62,610	4,905	-	67,515
Furniture and equipment	408,184	80,690	(30,309)	458,565
Motor Vehicles	525,797	-	-	525,797
Total Capital Assets	<u>1,274,816</u>	<u>85,595</u>	<u>(51,403)</u>	<u>1,309,008</u>
Less Accumulated Depreciation:				
Computer equipment	(140,487)	(59,490)	5,297	(194,680)
Leasehold improvements	(36,895)	(13,503)	-	(50,398)
Furniture and equipment	(242,130)	(81,245)	46,106	(277,269)
Motor Vehicles	(243,425)	(121,712)	-	(365,137)
Total Accumulated Depreciation	<u>(662,937)</u>	<u>(275,950)</u>	<u>51,403</u>	<u>(887,484)</u>
Capital Assets, net	<u>\$ 611,879</u>	<u>\$ (190,355)</u>	<u>\$ -</u>	<u>\$ 421,524</u>

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

Instruction	\$	109,230
School administration		88
Central services		820
Pupil Transportation		121,712
Operation of plant		21,523
Maintenance of Plant		22,577
Total Depreciation Expense	<u>\$</u>	<u>275,950</u>

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

Academica Broward, LLC, an education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting, financial reporting and virtual education services. The agreement calls for a fee on a per student basis. The agreement is through June 30, 2022. During the year ended June 30, 2021, the School incurred \$279,675 in fees.

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

Somerset Academy, Inc. charges its affiliated schools an assessment for shared corporate costs and accreditation expenses. The School paid Somerset Academy, Inc. \$93,300 in connection with these charges during the year.

During the year the School received non-interest bearing advances from Somerset Academy, Inc. The following represents the changes in long-term payables:

	Balance 07/01/20	Advances	Repayments	Balance 06/30/21
Due to Somerset Academy, Inc.	\$ -	\$ 75,000	\$ -	\$ 75,000
Total Long Term Payables	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>

The School received recoverable grants from Somerset Academy, Inc. totaling \$1,064,924 (\$489,924:2018, \$100,000:2019, \$275,000:2020, \$200,000: 2021) with repayment contingent on the School subsequently meeting certain financial conditions. To date, management has determined that the School has not met the requirements under the grant terms. The maximum amount the School may be required to pay in the future should the School meet the requirements for repayment is \$1,064,924.

**Note 6 – Transactions with District**

The School entered into a food services agreement with the School Board of St. Lucie County (“Sponsor”) to provide a lunch program for its students. Revenues and expenses related to this program are recorded in the Sponsor’s books and not reflected in the School’s financial statements. The term of the agreement is from July 1, 2015 through June 30, 2016, unless canceled by either party upon thirty days written notice of desire to terminate the agreement. The agreement was extended through June 30, 2022.

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 \$88,681.

**Note 7 – Long Term Debt**

Notes Payable- Bus Loans

On July 26, 2017 the School obtained financing in the amount of \$525,797 to acquire five school buses. The terms of the loan agreement called for 84 consecutive monthly payments of principal and interest based on a 7 year straight amortization schedule. The notes bear an interest rate of 5.55% fixed with the first payment commencing on August 25, 2017 and a maturity date of July 25, 2024. The outstanding balance of the notes as of June 30, 2021 amounted to \$256,822. The School’s debt agreements contain various covenants, restrictions and financial test requirements. In the event an instance of default is not remedied, the maturity can be accelerated and / or the underlying collateral may be repossessed.

The following is a summary of changes in long term notes payable for the year ended June 30, 2021:

	<u>Balance</u> <u>07/01/20</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Balance</u> <u>06/30/21</u>
Notes Payable- Bus Loan	\$ 331,131	\$ -	\$ (74,309)	\$ 256,822
Total Debt	<u>\$ 331,131</u>	<u>\$ -</u>	<u>\$ (74,309)</u>	<u>\$ 256,822</u>

Interest expense for the year ended June 30, 2021 was \$16,506. Future maturities under the long-term notes payable as of June 30, 2021 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 78,540	\$ 12,276
2023	83,011	7,804
2024	87,738	3,078
2025	<u>7,533</u>	<u>35</u>
Total	<u>\$ 256,822</u>	<u>\$ 23,193</u>

Equipment Financing

On July 2019, the School obtained equipment financing from a financial institution for a total amount of \$354,558. The agreement requires 48 monthly payments of principal and interest based on a fixed interest rate of 4.11%. This loan was refinanced in November 2020.

In November 2020, the School obtained equipment financing from a financial institution for a total amount of \$273,445 which refinanced the loan described above. The agreement requires 36 monthly payments of principal and interest based on a fixed interest rate of 3.25%. As of June 30, 2021, the outstanding balance was \$222,340.

**Note 7 - Long Term Debt (continued)**

Equipment Financing (continued)

The following schedule provides a summary of changes in long-term debt for the year:

	<u>Balance</u> <u>07/01/20</u>	<u>Additions</u>	<u>Repayments</u>	<u>Balance</u> <u>06/30/21</u>
Due to Financial Institution	<u>\$ 278,367</u>	<u>\$ 273,445</u>	<u>\$ (329,472)</u>	<u>\$ 222,340</u>
Total Long Term Debt	<u>\$ 278,367</u>	<u>\$ 273,445</u>	<u>\$ (329,472)</u>	<u>\$ 222,340</u>

Interest expense for the year ended June 30, 2021 in relation to the two equipment financing loans was \$8,971. Future minimum payments for the equipment loan are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2021-2022	\$ 89,893	\$ 5,895
2022-2023	92,858	2,929
2023-2024	<u>39,589</u>	<u>322</u>
	<u>\$ 222,340</u>	<u>\$ 9,146</u>

**Note 8 – Commitments, Contingencies and Concentrations**

Somerset Academy Foundation, Inc. entered into a lease agreement with Alliance XI, LLC for the School’s existing site. Somerset Academy Foundation, Inc. is a not-for-profit supporting organization of Somerset Academy, Inc. under Section 509(a)(3) of the Internal Revenue Code that shares common board members. On August 2018, Somerset Academy Foundation, Inc. purchased the School’s current site at 4402 SW Yamada Dr. Port St. Lucie, Florida 34953.

Effective August 1, 2018, the School entered into a facilities lease agreement with Somerset Academy Foundation, Inc. (a not for profit supporting organization of Somerset Academy, Inc. that share some board members) for the same facility. Initial fixed annual payments under this agreement are approximately \$71,921 per month (\$863,052 annually based on 42,100 sq. ft. of rentable space at \$20.50 per sq. ft.). The fixed rent for each successive lease year, commencing as of the beginning of the second lease year will be the fixed rent of the previous year multiplied by the greater of 1 or the change in the Consumer Price Index (CPI). The agreement continues through June 30, 2038 with an option to extend for two additional periods of five years. Under the agreement the School must meet certain covenants and requirements, including a “Lease Payment Coverage Ratio” of not less than 1.10 to 1.00.

Rent expense as of June 30, 2021 totaled \$868,623. As of June 30, 2021, the School had a prepaid rent balance of \$60,021.

**Note 8 – Commitments, Contingencies and Concentrations (continued)**

Future minimum payments under the lease agreement are as follows:

<u>Year</u>			
2022	\$	909,581	
2023	\$	909,581	
2024	\$	909,581	
2025	\$	909,581	
2026	\$	909,581	
2027-2031	\$	4,547,905	(total for five year period)
2032-2036	\$	4,547,905	(total for five year period)
2037-2038	\$	1,819,162	(total for two year period)

**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 9 – 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.

**Note 9 – Implementation of GASB 84 (continued)**

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 balances	\$ (325,106)		\$ (325,106)
Fund balances (deficit) at beginning	453,861		453,861
Restatement of beginning fund balances	-	12,059	12,059
Fund balances (deficit) at the end of year	<u>\$ 128,755</u>		<u>\$ 140,814</u>
Change in net position	\$ 52,866		\$ 52,866
Net position (deficit), beginning	78,270		78,270
Restatement of beginning net position		12,059	12,059
Net position (deficit), ending	<u>\$ 131,136</u>		<u>\$ 143,195</u>

**Note 10 – 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 11 – Defined Contribution Retirement Plan**

The School’s personnel, who are leased through ADP Total Source Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the “Plan”), the School provides a contribution match of 100% of the employee’s contribution up to 4% of the employee’s compensation. The School contributed \$79,619 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.

Somerset Academy St. Lucie  
(A charter school under Somerset Academy, Inc.)  
Notes to Financial Statements  
June 30, 2021

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**Note 12 – Interfund Transfers**

Interfund transfers in governmental funds as of June 30, 2021, consist of the following:

	General Fund	Non-Major Funds
	<u>          </u>	<u>          </u>
To fund debt service fund for principal and interest payments	\$ (429,258)	\$ 429,258
Transfer in beginning internal account balance	(12,460.00)	12,460
To fund 21st Century federal expenditures for which revenues were not available	(111,697)	111,697
To fund GEER federal expenditures for which revenues were not available	(70,881)	70,881
Total Transfers, net	<u>\$ (624,296)</u>	<u>\$ 624,296</u>

Due from/(due to) balances:

Due to General Fund from Capital Projects Fund for capital outlay	\$ 5,000	\$ (5,000)
Total Due from/(Due to)	<u>\$ 5,000</u>	<u>\$ (5,000)</u>

REQUIRED SUPPLEMENTARY INFORMATION



Somerset Academy St. Lucie  
(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
<b>REVENUES</b>			
State passed through local	\$ 4,602,063	\$ 4,467,236	\$ 4,471,552
Charges and other revenue	415,598	559,824	562,096
Total Revenues	<u>5,017,661</u>	<u>5,027,060</u>	<u>5,033,648</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	2,639,743	2,603,172	2,596,481
Student personnel services	20,608	15,881	14,029
Instructional staff training	6,500	6,500	5,512
Board	37,438	34,288	33,515
School administration	612,897	609,070	608,764
Fiscal services	105,750	93,250	93,225
Central services	122,750	111,150	110,827
Pupil transportation services	56,176	94,210	93,167
Operation of plant	982,001	964,707	963,070
Maintenance of plant	150,000	121,000	119,823
Administrative technology services	39,334	40,475	39,367
Total Current Expenditures	<u>4,773,197</u>	<u>4,693,703</u>	<u>4,677,780</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>244,464</u>	<u>333,357</u>	<u>355,868</u>
Debt Service:			
Capital Outlay	<u>62,900</u>	<u>62,900</u>	<u>62,844</u>
Total Expenditures	<u>4,836,097</u>	<u>4,756,603</u>	<u>4,740,624</u>
Excess/(Deficit) of Revenues Over Expenditures	181,564	270,457	293,024
Other financing sources (uses):			
Transfers in (out)	(136,552)	(617,313)	(624,296)
Proceeds from note payable	-	273,445	273,445
Advances from Somerset Academy, Inc.	<u>-</u>	<u>75,000</u>	<u>75,000</u>
Net change in fund balance	45,012	1,589	17,173
Fund Balance at beginning of year	<u>128,755</u>	<u>128,755</u>	<u>128,755</u>
Fund Balance at end of year	<u>\$ 173,767</u>	<u>\$ 130,344</u>	<u>\$ 145,928</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*

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To the Board of Directors of  
Somerset Academy St. Lucie  
Port St. Lucie, 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 St. Lucie (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 a separate management letter 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida  
September 29, 2021



## MANAGEMENT LETTER

To the Board of Directors of  
Somerset Academy St. Lucie  
Port St. Lucie, Florida

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

We have audited the financial statements of Somerset Academy St. Lucie, Florida as of and for the 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.

### **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 recommendations made in the preceding annual audit financial 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 are Somerset Academy St. Lucie, 0703.

## **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 St. Lucie 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 St. Lucie 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 St. Lucie. It is management's responsibility to monitor Somerset Academy St. Lucie'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 St. Lucie 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 St. Lucie 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 St. Lucie County, Federal and other granting agencies, the Board of Directors, and applicable management, and Somerset Academy, Inc. 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