



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, 2024

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

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

2023-2024

BOARD OF DIRECTORS

Todd German, Treasurer and Board Chair, (Florida)
Ana Mendez, Vice-Chair and Secretary
David Concepcion, Director
Brian M. Cox, Director (Texas)
Taylor Smith, Director

SCHOOL ADMINISTRATION

Joann Roach, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President



INDEPENDENT AUDITORS' REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy St. Lucie (the “School”), a charter school under Somerset Academy, Inc. which is a component unit of the School Board of St. Lucie County, as of, and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Somerset Academy, Inc., and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School’s ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Emphasis of a Matter – Presentation

As described in Note 1, the accompanying financial statements referred to above present only the financial position and change in financial position of Somerset Academy St. Lucie that is attributable to the transactions of the School 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, 2024, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Emphasis of a Matter – Presentation

As described in Note 6 to the financial statements, the School has relied on significant support from Somerset Academy, Inc. Our opinion is not modified with respect to this matter.

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 5 through 9 and 30 to 31 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2024 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 solely 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 effectiveness of 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 30, 2024

CERTIFIED PUBLIC ACCOUNTANTS

Management’s Discussion and Analysis
Somerset Academy St. Lucie
(A Charter School under Somerset Academy, Inc.)
June 30, 2024

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, 2024.

Financial Highlights

1. The net position of the School at June 30, 2024 was \$140,881.
2. At year-end, the School had current assets on hand of \$716,993.
3. The School had an increase in its net position of \$61,118 during the year.
4. The unassigned fund balance at year end was \$311,819.

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, 2024, 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 10-11 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 12 - 15 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 – 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 \$140,881 at the close of the fiscal year. A summary of the School’s net position as of June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
Cash	\$ 99,019	\$ 225,310
Investments	439,000	305,000
Prepaid expenses and other current assets	41,959	106,426
Due from other agencies	137,015	21,795
Capital and right-of-use capital assets, net	<u>8,466,031</u>	<u>8,981,054</u>
Total Assets	<u>9,183,024</u>	<u>9,639,585</u>
Deferred outflows of resources	<u>-</u>	<u>-</u>
Accounts payable and accrued liabilities	301,987	196,591
Due to Somerset Academy, Inc.	-	75,000
Lease liability	8,732,996	9,153,494
Long term debt	<u>7,160</u>	<u>134,737</u>
Total Liabilities	<u>9,042,143</u>	<u>9,559,822</u>
Deferred inflows of resources	<u>-</u>	<u>-</u>
Net Position:		
Net investment in capital assets	(274,125)	(307,177)
Unrestricted	<u>415,006</u>	<u>386,940</u>
Total Net Position	<u>\$ 140,881</u>	<u>\$ 79,763</u>

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, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
REVENUES		
Program Revenues		
Capital Grants and Contributions	\$ 469,392	\$ 434,533
Federal Sources	997,128	942,365
Charges for Services	527,664	650,874
General Revenues		
State and Local Sources	5,939,652	5,237,933
Other Revenues	138,225	39,630
Total Revenues	<u>\$ 8,072,061</u>	<u>\$ 7,305,335</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 4,480,541	\$ 4,049,278
Student personnel services	72,234	50,760
Instructional staff training	69,322	26,656
Board	42,502	35,859
School administration	755,563	601,863
Fiscal services	105,767	102,750
Food services	22,415	21,159
Central services	134,762	134,145
Pupil transportation services	106,515	108,520
Operation of plant	1,374,930	1,326,245
Maintenance of plant	168,321	187,491
Administrative technology services	58,705	52,674
Community services	168,335	150,499
Debt service	451,031	479,573
Total Expenses	<u>8,010,943</u>	<u>7,327,472</u>
Change in Net Position	61,118	(22,137)
Net Position at Beginning of Year	79,763	101,900
Net Position at End of Year	<u>\$ 140,881</u>	<u>\$ 79,763</u>

The School's revenues and expenses increased by \$766,726 and \$683,471, respectively. The School had an increase in its net position of \$61,118 for the year.

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.

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 \$353,778. The fund balance unassigned and available for spending at the School's discretion is \$311,819. 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, 2024, amounts to \$285,018 (net of accumulated depreciation) and right of use lease asset (building) \$8,181,013 (net of accumulated amortization). This investment in capital assets includes right of use lease asset (building), leasehold improvements, furniture, fixtures, vehicles and computer equipment. As of June 30, 2024, the School had long-term liabilities of \$8,740,156 associated to its capital assets.

The lease asset is amortized using the straight-line method over the term of the lease and the lease liability amortizes based on the effective interest method resulting in a higher liability and expense during the early years of the lease.

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
REVENUES			
Program Revenues			
Capital grants and contributions	\$ 464,288	\$ 466,508	\$ 469,392
Federal sources	960,763	973,309	997,128
Charges for Services	130,145	136,594	168,299
General Revenues			
State and local sources	5,909,460	5,928,963	5,939,652
Charge for services and other revenues	493,377	496,594	497,590
Total Revenues	<u>7,958,033</u>	<u>8,001,968</u>	<u>8,072,061</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	4,479,566	4,477,550	4,442,276
Student personnel services	80,234	76,628	72,234
Instructional staff training	78,200	74,500	69,322
Board	43,246	43,050	42,502
School administration	759,058	768,806	755,563
Fiscal services	110,833	105,767	105,767
Food services	29,400	22,657	22,415
Central services	140,833	139,767	134,078
Pupil transportation services	112,062	111,062	106,515
Operation of plant	764,537	763,063	756,777
Maintenance of plant	170,655	169,667	161,598
Administrative technology services	70,786	64,364	58,705
Community services	175,000	175,000	168,335
Total Current Expenditures	<u>\$ 7,014,410</u>	<u>\$ 6,991,881</u>	<u>\$ 6,896,087</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, 2024

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 99,019
Investments	439,000
Prepaid expenses and other current assets	41,959
Due from other agencies	137,015
Total Current Assets	<u>716,993</u>
Capital assets, net:	
Capital assets, non-depreciable	62,231
Capital assets, depreciable	1,159,299
Less: accumulated depreciation	(936,512)
Right-of-use lease asset	9,934,087
Less: accumulated amortization	(1,753,074)
Total Capital Assets, net	<u>8,466,031</u>
Total Assets	<u>9,183,024</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable and accrued liabilities	38,587
Salaries and wages payable	263,400
Lease liability, current	442,012
Current portion of long term debt	7,160
Total Current Liabilities	<u>751,159</u>
Lease liability	8,290,984
Total Liabilities	<u>9,042,143</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	(274,125)
Unrestricted	415,006
Total Net Position	<u>\$ 140,881</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, 2024

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 4,480,541	\$ 337,520	\$ 829,637	\$ -	\$ (3,313,384)
Student personnel services	72,234	-	-	-	(72,234)
Instructional staff training	69,322	-	30,192	-	(39,130)
Board	42,502	-	-	-	(42,502)
School administration	755,563	-	49,817	-	(705,746)
Fiscal services	105,767	-	-	-	(105,767)
Food services	22,415	-	-	-	(22,415)
Central services	134,762	-	-	-	(134,762)
Pupil transportation services	106,515	-	-	-	(106,515)
Operation of plant	1,374,930	21,845	51,246	469,392	(832,447)
Maintenance of plant	168,321	-	26,597	-	(141,724)
Administrative technology services	58,705	-	9,639	-	(49,066)
Community services	168,335	168,299	-	-	(36)
Debt service	451,031	-	-	-	(451,031)
Total governmental activities	8,010,943	527,664	997,128	469,392	(6,016,759)
General revenues:					
State and local sources					5,939,652
Other revenues					138,225
Change in net position					61,118
Net position, beginning					79,763
Net position, ending					\$ 140,881

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, 2024

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash	\$ 37,791	\$ 61,228	\$ 99,019
Investments	439,000	-	439,000
Due from other agencies	7,817	129,198	137,015
Due from fund	129,198	-	129,198
Prepaid expenses and other current assets	41,959	-	41,959
Total Assets	655,765	190,426	846,191
<u>Deferred Outflows of Resources</u>			
	-	-	-
<u>Liabilities</u>			
Accounts payable and accrued liabilities	38,587	-	38,587
Due to other fund	-	129,198	129,198
Salaries and wages payable	263,400	-	263,400
Total Liabilities	301,987	129,198	431,185
<u>Deferred Inflows of Resources</u>			
	-	-	-
<u>Fund Balance</u>			
Nonspendable, not in spendable form	41,959	-	41,959
Assigned	-	61,228	61,228
Unassigned	311,819	-	311,819
	353,778	61,228	415,006
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 655,765	\$ 190,426	\$ 846,191

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, 2024

Total Fund Balance - Governmental Funds \$ 415,006

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

Depreciable and non-depreciable capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets, non-depreciable	62,231	
Capital assets, depreciable	1,159,299	
Less: accumulated depreciation	(936,512)	
Right-of-use lease asset	9,934,087	
Less: accumulated amortization	<u>(1,753,074)</u>	8,466,031

Long term liabilities due from other divisions were not due and payable in the current period and, therefore, are not reported in the funds. (8,740,156)

Total Net Position - Governmental Activities \$ 140,881

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, 2024

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 407,918	\$ 407,918
Local sources	539,912	-	61,474	601,386
State passed through local	5,399,740	-	-	5,399,740
Federal sources	-	997,128	-	997,128
Charges for services and other revenue	497,590	168,299	-	665,889
Total Revenues	6,437,242	1,165,427	469,392	8,072,061
Expenditures:				
Current				
Instruction	3,769,302	672,974	-	4,442,276
Student personnel services	72,234	-	-	72,234
Instructional staff training	39,130	30,192	-	69,322
Board	42,502	-	-	42,502
School administration	705,746	49,817	-	755,563
Fiscal services	105,767	-	-	105,767
Food services	22,415	-	-	22,415
Central services	134,078	-	-	134,078
Pupil transportation services	106,515	-	-	106,515
Operation of plant	705,531	51,246	-	756,777
Maintenance of plant	135,001	26,597	-	161,598
Administrative technology services	49,066	9,639	-	58,705
Community services	-	168,335	-	168,335
Capital Outlay:				
Other capital outlay	148,802	-	-	148,802
Debt service:				
Redemption of principal	127,577	-	420,498	548,075
Interest	10,605	-	440,426	451,031
Total Expenditures	6,174,271	1,008,800	860,924	8,043,995
Excess (deficit) of revenues over expenditures	262,971	156,627	(391,532)	28,066
Other financing sources (uses)				
Transfers in (out)	(234,869)	(156,663)	391,532	-
Decreases in due to Somerset Academy, Inc.	(75,000)	-	-	(75,000)
Net change in fund balance	(46,898)	(36)	-	(46,934)
Fund Balance at beginning of year	400,676	61,264	-	461,940
Fund Balance at end of year	\$ 353,778	\$ 61,228	\$ -	\$ 415,006

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, 2024

Net Change in Fund Balance - Governmental Funds \$ (46,934)

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 and amortization expense. In the current period, these amounts are:

Capital outlay	148,802	
Depreciation and amortization expense	<u>(663,825)</u>	(515,023)

Additions in long term liabilities provide current financial resources to governmental funds, but increases long term liabilities in the statement of net position. Reductions in long term liabilities is an expenditure in the governmental funds, but the repayment reduces long term liabilities in the statement of net position. In the current period, these amounts are:

Increases in long term liabilities	-	
Decreases in long term liabilities	<u>623,075</u>	<u>623,075</u>

Change in Net Position of Governmental Activities \$ 61,118

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Charter Schools (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. As of report date, the charter contract is on a month to month renewal until charter contract negotiations are completed. 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 pre-kindergarten through fifth grades and is funded by the District. These financial statements are for the year ended June 30, 2024, on average 668 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 state and local 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:

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

Special Revenue Fund – accounts for specific revenues, such as federal funding, federal lunch program, and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes. Also, accounts for resources of the School's Internal Fund, which is used to administer monies collected in connection with school, student athletics, class, and club activities.

Capital Outlay Fund – is used to account for the resources restricted for the acquisition or construction of specific capital assets and from state and local capital funding that are legally restricted to expenditures for particular purposes.

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.

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. 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.

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.

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.

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.

The right of use assets are initially measure at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right of use assets are amortized on a straight-line basis over the life of the related lease.

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

Right of use lease asset (building)	20 Years
Building 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 personal time off. 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 days for personal time off, however, the employees may only cash out if they have used three days or less in that benefit year. Employees may not cash out more than ten days per school year and are required to always maintain a minimum of twenty-one unused days in order to cash out. The cash out value is eighty percent of their current daily rate. There is no termination payment for accumulated unused days. Non-exempt and office salaried employees are not eligible to “cash out” unused personal time off 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.

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. In addition, the School receives a portion of the local operating millage revenues levied by the District (Secure our Future Referendum).

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 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 and Liabilities

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.

New Accounting Standard Adopted

During the fiscal year, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standard Board: GASB Statement No. 100, *Accounting Changes and Error Corrections*. This adoption had no material effect on the School's financial statements as of June 30, 2024.

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 101, *Compensating Absences*. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

Use of Estimates

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

Note 1 – Summary of Significant Accounting Policies (continued)

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 30, 2024, which is the date the financial statements were available to be issued.

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, 2024, bank balances in potential excess of FDIC coverage totaled \$125,338.

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, 2024, the School had \$680,000 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, 2024, maturities of the fund's portfolio holdings are approximately 86% 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, 2024, 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.

Note 2 – Cash and Investments (continued)

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

Note 3 –Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2024:

	Balance 07/01/23	Additions	Reclassification/ Retirements	Balance 06/30/24
Capital Assets, non-depreciable:				
Construction in progress	\$ -	\$ 62,231	\$ -	\$ 62,231
Capital Assets, depreciable:				
Computer equipment	\$ 257,423	\$ -	\$ (201,973)	\$ 55,450
Leasehold improvements	142,199	7,735	(20,750)	129,184
Furniture and equipment	549,851	78,836	(179,819)	448,868
Motor Vehicles	525,797	-	-	525,797
Total Capital Assets	<u>\$ 1,475,270</u>	<u>\$ 148,802</u>	<u>\$ (402,542)</u>	<u>\$ 1,221,530</u>
Less Accumulated Depreciation:				
Computer equipment	\$ (249,704)	\$ (2,298)	\$ 201,973	\$ (50,029)
Leasehold improvements	(73,027)	(20,486)	20,750	(72,763)
Furniture and equipment	(411,059)	(56,683)	179,819	(287,923)
Motor Vehicles	(525,797)	-	-	(525,797)
Total Accumulated Depreciation	<u>(1,259,587)</u>	<u>(79,467)</u>	<u>402,542</u>	<u>(936,512)</u>
Total Capital Assets, being depreciated net	<u>\$ 215,683</u>	<u>\$ 69,335</u>	<u>\$ -</u>	<u>\$ 285,018</u>
Lease Assets:				
Right of use lease asset (building)	\$ 9,934,087	\$ -	\$ -	\$ 9,934,087
Less accumulated amortization	(1,168,716)	(584,358)	-	(1,753,074)
Total Lease Assets being amortized, net	<u>8,765,371</u>	<u>(584,358)</u>	<u>-</u>	<u>8,181,013</u>
Governmental Activities Capital Assets, net	<u>\$ 8,981,054</u>	<u>\$ (515,023)</u>	<u>\$ -</u>	<u>\$ 8,466,031</u>

For the fiscal year ended June 30, 2024, depreciation and amortization expense are allocated in the Statement of Activities by function as follows:

	Depreciation	Amortization
Instruction	\$ 38,265	\$ -
Central services	684	-
Operation of plant	33,795	584,358
Maintenance of Plant	6,723	-
Total Expense	<u>\$ 79,467</u>	<u>\$ 584,358</u>

Note 4 – Due from Other Agencies

The following is due from other agencies as of June 30, 2024:

Funding Source	Governmental Fund	Balance
Science or Reading Fund	General fund	\$ 7,817
21st Century	Special Revenue Fund	61,219
Title I	Special Revenue Fund	60,886
Title II	Special Revenue Fund	7,093
Total Due from Other Agencies, current		\$ 137,015

Note 5 – 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, 2028 and unless terminated by the board will have an option to renew for an additional five year period . During the year ended June 30, 2024, the School incurred \$317,300 in fees.

Note 6 – 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. \$100,200 in connection with these charges during the year.

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

	Balance <u>07/01/23</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>06/30/24</u>
Due to Somerset Academy, Inc.	\$ 75,000	\$ -	\$ (75,000)	\$ -
Total Long Term Payables	\$ 75,000	\$ -	\$ (75,000)	\$ -

Recoverable Grant

The School received recoverable grants from Somerset Academy, Inc., totaling \$1,064,924 in prior years, 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 7 – Transactions with District

The School entered into a food services agreement, that is renewed annually, 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.

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, 2024, administrative fees withheld by the School District totaled \$100,052.

Note 8 – Long Term Debt and Liabilities

Lease Liability

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). Initial fixed annual payments under this agreement are approximately \$71,921 per month 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.

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The School has used an average effective interest for several borrowings during fiscal years 2021 and 2022. The average borrowing rate was 5% which was used to discount the annual lease payment to recognize the intangible right to use this asset and the lease liability.

For the year ended June 30, 2024, interest expense totaled \$448,125 as it relates to its lease agreements. For 2024, the School incurred variable and other payments of \$157,698 in connection with the lease agreement. Annual requirements to amortize the lease liability and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2025	\$ 442,011	\$ 426,612	\$ 868,623	
2026	464,625	403,998	868,623	
2027	488,397	380,226	868,623	
2028	513,384	355,239	868,623	
2029	539,650	328,973	868,623	
2030-2034	3,141,748	1,201,367	4,343,115	Total of five year period
2035-2038	3,143,181	331,310	3,474,491	Total of four year period
	<u>\$ 8,732,996</u>	<u>\$ 3,427,725</u>	<u>\$ 12,160,721</u>	

Note 8 - Long Term Debt and Liabilities (continued)

Lease Liability (continued)

Changes in long term lease liabilities during the year are as follows:

	<u>Balance</u> <u>07/01/23</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>06/30/24</u>
Lease liability	\$ 9,153,494	\$ -	\$ (420,498)	\$ 8,732,996
	<u>\$ 9,153,494</u>	<u>\$ -</u>	<u>\$ (420,498)</u>	<u>\$ 8,732,996</u>

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, 2024, amounted to \$7,160. 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, 2024:

	<u>Balance</u> <u>07/01/23</u>	<u>Proceeds</u>	<u>Repayments</u>	<u>Balance</u> <u>06/30/24</u>
Notes Payable- Bus Loan	\$ 94,897	\$ -	\$ (87,737)	\$ 7,160
Total Debt	<u>\$ 94,897</u>	<u>\$ -</u>	<u>\$ (87,737)</u>	<u>\$ 7,160</u>

Interest expense for the year ended June 30, 2024 was \$7,804. Future maturities under the long-term notes payable as of June 30, 2024 are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 7,160	\$ 35

Note 8 - Long Term Debt and Liabilities (continued)

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%. During the year ended June 30, 2024, this loan was paid in full.

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

	Balance 07/01/23	Increases	Decreases	Balance 06/30/24
Due to Financial Institution	\$ 39,840	\$ -	\$ (39,840)	\$ -
Total Long Term Debt	<u>\$ 39,840</u>	<u>\$ -</u>	<u>\$ (39,840)</u>	<u>\$ -</u>

Interest expense for the year ended June 30, 2024, in relation to the two equipment financing loans was \$2,801.

Note 9 – 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 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 in any of the past three fiscal years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 10 – Risk Management (continued)

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 – Interfund Transfers

Inter-fund transfers between governmental funds as of June 30, 2024, consist of the following:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>
To fund debt service fund for principal and interest payments	\$ (391,532)	\$ -	\$ 391,532
To reimburse general fund for prior year federal expenditures	156,663	(156,663)	-
Total Transfers, net	<u>\$ (234,869)</u>	<u>\$ (156,663)</u>	<u>\$ 391,532</u>
Due from/(due to) balances:			
Due to general fund from special projects fund for federal funds	\$ 129,198	\$ (129,198)	\$ -
Total Due from/(Due to)	<u>\$ 129,198</u>	<u>\$ (129,198)</u>	<u>\$ -</u>

Note 12 – 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 \$109,042 to the Plan for the year ended June 30, 2024. The School does not exercise any control or fiduciary responsibility over the Plan’s assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy St. Lucie
(A charter school under Somerset Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2024

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 5,381,315	\$ 5,393,003	\$ 5,399,740
Local sources	528,145	535,960	539,912
Charges and other revenue	493,377	496,594	497,590
Total Revenues	<u>6,402,837</u>	<u>6,425,557</u>	<u>6,437,242</u>
EXPENDITURES			
Current:			
Instruction	3,794,503	3,799,241	3,769,302
Student personnel services	80,234	76,628	72,234
Instructional staff training	42,750	42,050	39,130
Board	43,246	43,050	42,502
School administration	708,558	718,849	705,746
Fiscal services	110,833	105,767	105,767
Food services	29,400	22,657	22,415
Central services	140,833	139,767	134,078
Pupil transportation services	112,062	111,062	106,515
Operation of plant	707,753	707,939	705,531
Maintenance of plant	142,000	142,000	135,001
Administrative technology services	60,786	54,364	49,066
Total Current Expenditures	<u>5,972,958</u>	<u>5,963,374</u>	<u>5,887,287</u>
Excess/(Deficit) of Revenues Over Current Expenditures	<u>429,879</u>	<u>462,183</u>	<u>549,955</u>
Debt Service:			
Redemption of principal	127,577	127,577	127,577
Interest	10,605	10,605	10,605
Capital Outlay	149,150	149,150	148,802
Total Capital Outlay and Debt Service Expenditures	<u>287,332</u>	<u>287,332</u>	<u>286,984</u>
Total Expenditures	<u>6,260,290</u>	<u>6,250,706</u>	<u>6,174,271</u>
Excess of Revenues Over Expenditures	142,547	174,851	262,971
Other financing sources (uses):			
Transfers in (out)	(347,180)	(313,020)	(234,869)
Decreases in due to Somerset Academy, Inc.	<u>-</u>	<u>(75,000)</u>	<u>(75,000)</u>
Net change in fund balance	(204,633)	(213,169)	(46,898)
Fund Balance at beginning of year	<u>400,676</u>	<u>400,676</u>	<u>400,676</u>
Fund Balance at end of year	<u>\$ 196,043</u>	<u>\$ 187,507</u>	<u>\$ 353,778</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 St. Lucie
(A charter school under Somerset Academy, Inc.)
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2024

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	960,763	973,309	\$ 997,128
Charges for services and other revenue	130,145	136,594	168,299
Total Revenues	1,090,908	1,109,903	1,165,427
EXPENDITURES			
Current:			
Instruction	685,063	678,309	672,974
Instructional staff training	35,450	32,450	30,192
School administration	50,500	49,957	49,817
Operation of Plant	56,784	55,124	51,246
Maintenance of plant	28,655	27,667	26,597
Administrative technology services	10,000	10,000	9,639
Community services	175,000	175,000	168,335
Total Current Expenditures	1,041,452	1,028,507	1,008,800
Excess of Revenues Over Current Expenditures	49,456	81,396	156,627
Capital Outlay			
Other Capital Outlay	-	-	-
Total Capital Outlay and Debt Service Expenditures	-	-	-
Total Expenditures	1,041,452	1,028,507	1,008,800
Excess of Revenues Over Expenditures	49,456	81,396	156,627
Other financing sources (uses)			
Transfers in (out)	(49,456)	(81,396)	(156,663)
Net change in fund balance	-	-	(36)
Fund Balance at beginning of year	61,264	61,264	61,264
Fund Balance at end of year	\$ 61,264	\$ 61,264	\$ 61,228

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 AUDITORS' 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 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 and each major of Somerset Academy St. Lucie (the "School") as of, and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 30, 2024.

Report on 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 School'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 or significant deficiencies may exist that were not identified.

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Report on 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 30, 2024, 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 30, 2024



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, Port St. Lucie, Florida as of and for the year ended June 30, 2024, and have issued our report thereon dated September 30, 2024.

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 30, 2024, 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.

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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, requires us to communicate noncompliance with provisions of contracts or grant agreements, fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has 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 of, 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 30, 2024