HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

Somerset Academy Middle School (South Miami Campus)
WL# 6053
(A charter school under Somerset Academy, Inc.)

Miami, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2019

TABLE OF CONTENTS

General Information	1
Independent Auditors' Report.	2-3
Management's Discussion and Analysis (Required Supplementary Information)	4-9
Basic Financial Statements:	
Government-wide Financial Statement:	
Statement of Net Position	10
Statement of Activities.	11
Fund Financial Statements:	
Balance Sheet - Governmental Funds.	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position.	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.	15
Notes to the Basic Financial Statements	16-27
Required Supplementary Information:	
Budgetary comparison schedules.	28-29
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	30-31
Management Letter	32-34

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)
W/L # 6053
5876 Southwest 68th Street
Miami, Florida 33143

2018-2019

BOARD OF DIRECTORS

Todd German, Director, Board Chair, effective January 25, 2019 (Florida)
Lourdes Isla Marrero, Board Chair, resigned effective January 25, 2019
Ana Diaz, Director, Secretary
David Concepcion, Director
Louis Marin, Director, Vice-Chair (Texas)
Jennifer Esquijarosa, Director
Dr. Bernard Kimmel, Director
Brian M. Cox, Director (Texas) – Elected July 26, 2018

SCHOOL ADMINISTRATION

Kim Guilarte, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President

Suzette Ruiz, Vice-President

BOARD COUNSEL

Charles Gibson, Esq.

Eleni Pantaridis, Esq.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Academy Middle School (South Miami Campus)
Miami, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Middle School (South Miami Campus) (the "School"), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprises the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Middle School (South Miami Campus) as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Middle School (South Miami Campus) as of June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Academy, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 9 and 28 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 10, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 10, 2019

Management's Discussion and Analysis
Somerset Academy Middle School (South Miami Campus)
(A Charter school Under Somerset Academy, Inc.)
June 30, 2019

The corporate officers of Somerset Academy Middle School (South Miami Campus) have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2019.

Financial Highlights

1. The net position of the School at June 30, 2019 was $1,159,946.
2. At year-end, the School had current assets on hand of $1,140,279.
3. The School had an increase in its net position of $81,375 for the year ended June 30, 2019.
4. The unassigned fund balance at year end was $1,055,629.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2019 are presented under GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 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 - 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, net position was $1,159,946 at the close of the fiscal year. A summary of the School's net position as of June 30, 2019 and 2018 is as follows:

	2019	2018
Cash and cash equivalents	$ 8,523	$ 102,061
Investments	1,097,000	942,013
Prepaid expenses	16,905	19,971
Due from other agencies	17,851	3,356
Capital assets, net	87,412	86,139
Total Assets	1,227,691	1,153,540
Deferred outflows of resources	-	-
Accounts payable	2,038	-
Salaries and wages payable	65,707	74,969
Total Liabilities	67,745	74,969
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	87,412	86,139
Unrestricted	1,072,534	992,432
Total Net Position	$ 1,159,946	$ 1,078,571

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

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

	2019	2018
REVENUES		
Program Revenues		
Operating grants and contributions	$ 11,089	$ -
Capital grants and contributions	96,769	103,207
Federal lunch program	38,145	40,660
General Revenues		
Local sources (FTE and other non specific)	1,313,843	1,409,386
Other revenues	22,375	10,768
Total Revenues	$ 1,482,221	$ 1,564,021
EXPENSES		
Governmental Activities:		
Instruction	$ 692,689	$ 682,238
Student support servies	3,182	-
Instructional staff training	277	2,202
Board	15,462	16,206
School administration	195,037	203,363
Facilities acquisition	6,715	6,715
Fiscal services	29,850	32,625
Food services	48,150	60,684
Central services	44,948	44,527
Operation of plant	300,283	306,049
Maintenance of plant	57,876	52,475
Administrative technology services	6,377	9,203
Total Expenses	1,400,846	1,416,287
Increase in Net Position	81,375	147,734
Net Position at Beginning of Year	1,078,571	930,837
Net Position at End of Year	$ 1,159,946	$ 1,078,571

The School's revenues and expenses decreased by $81,800 and $15,441, respectively, in the current year due to decrease in enrollment. The School had an increase in its net position of $81,375 for the year.

School Location and Lease of Facility

The School leases a facility located at 5876 Southwest 68th Street, Miami, FL 33143.

Capital Improvement Requirements

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

School Enrollment

This past year, the School had an average of 199 students enrolled in grades six through eight.

Accomplishments

In 2019, Somerset Academy Middle School South Miami (Somerset Middle SoMi) completed its 10th year of operations, serving over 198 students in grades 6-8. The school earned a letter grade of "A" for the 9th consecutive year. Based on the results reported under the State of Florida Accountability Program in 2019, Somerset Middle SoMi ranked among the highest performing public middle schools in all of Miami-Dade County and the State of Florida.

Somerset Middle SoMi offers a rigorous, advanced curriculum, featuring programs in Spanish and Mandarin. In addition, Somerset Middle SoMi provides its students with an extra-curricular program of activities, including team sports and clubs, such as Volleyball, Baseball, Soccer, Basketball, and Flag Football. Somerset Middle SoMi is also a member of the National Junior Honor Society.

This past year, Somerset SoMi students participated in various school-based events and productions, including the "Reading Under the Stars" Family Night, the "Random Acts of Kindness Week" campaign, STEM Week, the Chinese New Year Celebration, Hispanic Heritage Week, Black History Celebration, Field Day, the Annual Holiday Show, and SoMi Art Gallery Night. Students also participated in district-wide events such as the Somerset District Annual Spelling Bee, the Somerset Math Bowl, the Miami Herald Spelling Bee, Career Day, Earth Day, and Take Your Child to Work Day. In addition, SoMi students got to take field trips to places such as: Close Up in Washington, DC, Superwheels Science, and Gradventure.

Giving back to their community is also very important to students at Somerset SoMi. Throughout the year, students participated in various community service projects, including: *Ronald McDonald House*, the *City of South Miami Toy Drive,* the *South Miami Community Center Thanksgiving Food and Can Drive,* and students volunteered their time at the *Miami Learning Experience School.*

As with all Somerset Academy schools, parental involvement is a key part of the educational process at SoMi. The Teacher-Parent-Student partnership plays an integral role in each child's education, as parents volunteer hours of their time and participate in school activities.

Providing valuable professional development activities for its teachers is also a priority for the school. This past year, teachers participated in professional development course/workshops including Reading Coach's meetings, Math and Science workshops, and Special Education courses that apply for teacher recertification.

As a member of the Somerset Academy network of high quality charter schools, Somerset Middle SoMi is fully accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division. It is one of only a few public middle schools in Miami-Dade County to be fully accredited by AdvancEd. As with all the schools within the network, Somerset Middle SoMi places high expectations for student learning and offers multiple opportunities for all students to acquire requisite knowledge, skills, and attitudes in a safe and nurturing environment. Key to achieving successful learning for all students is the school's implementation of research–based instructional strategies by a highly qualified instructional staff, and the use of innovative resources in a technology-rich setting.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

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

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 $1,072,534. The fund balance unassigned and available for spending at the School's discretion is $1,055,629. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2019 amounts to $87,412 (net of accumulated depreciation). This investment in capital assets includes improvements, furniture, fixtures and computer equipment. As of June 30, 2019, the School had no long term debt relating to capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the Charter School adopted an annual budget. A budgetary comparison statement has been provided for 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			
State capital outlay funding	$ 107,500	$ 97,510	$ 96,769
Federal sources	10,000	11,000	11,089
Lunch program	37,000	38,000	38,145
General Revenues			
FTE nonspecific revenues	1,317,668	1,312,834	1,313,843
Charges and other revenues	20,000	21,962	22,375
Total Revenues	$ 1,492,168	$ 1,481,306	$ 1,482,221
CURRENT EXPENDITURES			
Governmental Activities			
Instruction	$ 709,451	$ 692,849	$ 689,812
Student support servies	2,500	3,800	3,182
Instructional staff training	-	450	277
Board	18,563	17,963	15,462
School administration	191,655	197,476	194,329
Fiscal services	32,250	29,850	29,850
Food services	49,000	48,413	48,150
Central services	32,250	46,077	44,948
Operation of plant	314,127	302,227	300,283
Maintenance of plant	50,000	58,000	57,876
Administrative technology services	7,000	7,000	6,377
Total Current Expenditures	$ 1,406,796	$ 1,404,105	$ 1,390,546

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

Requests for Information

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

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	$ 8,523
Investments	1,097,000
Prepaid expenses	16,905
Due from other agencies	17,851
Total current assets	1,140,279
Capital assets, depreciable	541,489
Less: accumulated depreciation	(454,077)
	87,412
Total Assets	1,227,691
Deferred Outflows of Resources	-
Liabilities	
Current liabilities:	
Accounts payable	2,038
Salaries and wages payable	65,707
Total Liabilities	67,745
Deferred Inflows of Resources	-
Net Position	
Net investment in capital assets	87,412
Unrestricted	1,072,534
Total Net Position	$ 1,159,946

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

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2019

		Program Revenues			
FUNCTIONS	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Net (Expense) Revenue and Changes in Net Position**
Governmental activities:					
Instruction	$ 692,689	$ -	$ 5,072	$ -	$ (687,617)
Student support servies	3,182	-	-	-	(3,182)
Instructional staff training	277	-	-	-	(277)
Board	15,462	-	-	-	(15,462)
School administration	195,037	-	-	-	(195,037)
Facilities acquisition	6,715	-	-	-	(6,715)
Fiscal services	29,850	-	-	-	(29,850)
Food services	48,150	24,744	13,401	-	(10,005)
Central services	44,948	-	-	-	(44,948)
Operation of plant	300,283	-	-	96,769	(203,514)
Maintenance of plant	57,876	-	6,017	-	(51,859)
Administrative technology services	6,377		-	-	(6,377)
Total governmental activities	$ 1,400,846	$ 24,744	$ 24,490	$ 96,769	$ (1,254,843)

General revenues:	
FTE and other nonspecific revenues	1,313,843
Interest and other revenue	22,375
Change in net position	81,375
Net position, beginning	1,078,571
Net position, ending	$ 1,159,946

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

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund (Non-Major)	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 8,523	$ -	$ -	$ 8,523
Investments	1,097,000	-	-	1,097,000
Due from other agencies	-	11,089	6,762	17,851
Due from fund	17,851	-	-	17,851
Prepaid expenses	16,905	-	-	16,905
Total Assets	1,140,279	11,089	6,762	1,158,130
Deferred Outflows of Resources	-	-	-	-
Liabilities				
Accounts payable	2,038	-	-	2,038
Salaries and wages payable	65,707	-	-	65,707
Due to fund	-	11,089	6,762	17,851
Total Liabilities	67,745	11,089	6,762	85,596
Deferred Inflows of Resources	-	-	-	-
Fund balance				
Nonspendable, not in spendable form	16,905	-	-	16,905
Unassigned	1,055,629	-	-	1,055,629
	1,072,534	-	-	1,072,534
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 1,140,279	$ 11,089	$ 6,762	$ 1,158,130

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

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2019

Total Fund Balance - Governmental Funds	$ 1,072,534
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets of $541,489 net of accumulated depreciation of $454,077 used in governmental activities are not financial resources and therefore are not reported in the fund.	87,412
Total Net Position - Governmental Activities	$ 1,159,946

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

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Projects Fund (Non-Major)	Total Governmental Funds
Revenues:				
State capital outlay funding	$ -	$ -	$ 96,769	$ 96,769
State passed through local	1,313,843	-	-	1,313,843
Federal sources	-	11,089	-	11,089
Lunch program	-	38,145	-	38,145
Charges and other revenue	22,375	-	-	22,375
Total Revenues	1,336,218	49,234	96,769	1,482,221
Expenditures:				
Current				
Instruction	684,740	5,072	-	689,812
Student support servies	15,462	-	-	15,462
Instructional staff training	3,182	-	-	3,182
Board	277	-	-	277
School administration	194,329	-	-	194,329
Fiscal services	29,850	-	-	29,850
Food services	-	48,150	-	48,150
Central services	44,948	-	-	44,948
Operation of plant	203,514	-	96,769	300,283
Maintenance of plant	57,876	-	-	57,876
Administrative technology services	6,377	-	-	6,377
Capital Outlay:				
Other capital outlay	11,573	-	-	11,573
Total Expenditures	1,252,128	53,222	96,769	1,402,119
Excess (deficit) of revenues over expenditures	84,090	(3,988)	-	80,102
Other financing sources (uses)			-	
Transfers in (out)	(3,988)	3,988		-
Net change in fund balance	80,102	-	-	80,102
Fund Balance at beginning of year	992,432	-	-	992,432
Fund Balance at end of year	$ 1,072,534	$ -	$ -	$ 1,072,534

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

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the year ended June 30, 2019

Net Change in Fund Balance - Governmental Funds	$ 80,102
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 $11,573 exceeded depreciation expense of $10,300.	1,273
Change in Net Position of Governmental Activities	$ 81,375

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

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Academy Middle School (South Miami Campus) (the "School"), is a charter school sponsored by the School Board of Miami-Dade County, Florida (the “District”). The School’s charter is held by Somerset Academy, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the board of directors of Somerset Academy, Inc., which is composed of seven members and also governs other charter schools. The board of directors has determined that no component units exist that would require inclusion in the School’s financial statements.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter granted by the sponsoring district, the School Board of Miami-Dade County, Florida. The current charter expires on June 30, 2033 and it can be renewed in accordance with law. A charter can also be terminated before it date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Miami, Florida for students in the sixth - eighth grades and is funded by the District. These financial statements are for the year ended June 30, 2019, during which on average 199 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.

Deferred Outflows/Inflows of Resources

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

> *General Fund* - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.
>
> *Special Revenue Fund* – accounts for specific revenues, such as federal lunch program 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. 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, Cash Equivalents and Investments
Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

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

Note 1 – Summary of Significant Accounting Policies (continued)

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 a cost of $500 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

Improvements	10-20 Years
Furniture, Equipment and Software	5 Years
Textbooks	3 Years

Compensated Absences

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

Note 1 – Summary of Significant Accounting Policies (continued)

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

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

Revenue Sources

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Net position and Fund balance classifications

Government-wide financial statements
Equity is classified as net position and displayed in three (3) components:

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

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

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

Note 1 – Summary of Significant Accounting Policies (continued)

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as unassigned fund balances. It is possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Income Taxes

Somerset Academy, Inc. qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is, therefore, exempt from income tax. Accordingly, no tax provision has been made in the accompanying financial statements.

Use of Estimates

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

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through September 10, 2019, which is the date the financial statements were available to be issued.

Note 2 – Capital Assets

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

	Balance 07/01/18	Additions	Retirements	Balance 06/30/19
Capital Assets:				
Buildings and improvements	$ 130,418	$ -	$ -	$ 130,418
Computer equipment and software	4,539	-	-	4,539
Furniture, equipment and textbooks	394,959	11,573	-	406,532
Total Capital Assets	529,916	11,573	-	541,489
Less Accumulated Depreciation:				
Buildings and Improvements	(47,081)	(6,715)	-	(53,796)
Computer equipment and software	(4,539)	-	-	(4,539)
Furniture, equipment and textbooks	(392,157)	(3,585)	-	(395,742)
Total Accumulated Depreciation	(443,777)	(10,300)	-	(454,077)
Capital Assets, net	$ 86,139	$ 1,273	$ -	$ 87,412

For the fiscal year ended June 30, 2019, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	$	2,877
School administration		708
Facilities acquisition		6,715
Total Depreciation Expense	$	10,300

Note 3 – Deposits and Investments

Deposits

The School maintains its cash and cash equivalents in one financial institutions. As of June 30, 2019, the School's deposits consisted of cash balances of $9,508.

Deposits at FDIC-insured institutions are insured up to $250,000 per depositor, per financial institution. The School is a charter school under Somerset Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2019, bank balances in potential excess of FDIC coverage was $9,508.

Note 3 – Deposits and Investments (Continued)

Investments
The School categorizes its fair value measurements within the fair value hierarchy established by GASB Codification Section 3100 *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in markets for identical assets: Level 2 inputs are significant other observable inputs (including quoted prices for similar investments, interest rates, credit risk, etc.); Level 3 inputs are significant unobservable inputs.

At June 30, 2019, the School has the following recurring fair value measurements:

- Government money market mutual fund of $1,180,000 valued using Level 2 inputs.

The government money market mutual fund values its portfolio securities at amortized cost which approximates fair value. The government money market mutual fund primarily invests in cash, high quality, short-term U.S. government securities and/or repurchase agreements that are collateralized fully by government securities that have been valued by the fund as Level 2. As of July 31, 2019, the fund's annual report, maturities of the fund's portfolio holdings are approximately 81% 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, 2019, all of the School's investments in government money market mutual funds were held in a separate account and designated as assets of the School.

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

Note 4 –Education Services and Support Provider Agreement

Academica Dade, LLC, a professional education service and support provider, offers administrative services to the School including, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of the books and records, bookkeeping, budgeting and financial reporting and virtual education services.

The agreement calls for a fee on a per student basis. The agreement is with Somerset Academy, Inc. for a period of five years, through June 30, 2021, and unless terminated by the board shall be renewed along with any renewals to the charter agreement. During the year ended June 30, 2019, the School incurred $89,550 in fees.

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

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

For 2019, the School's facility was shared with Somerset Academy Charter Elementary School - South Miami Campus, a charter school under Somerset Academy, Inc. Through the board of directors, management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff to these schools and other school operated by Somerset Academy, Inc. As a result, certain activities such as fundraising activities are recorded in the books of Somerset Academy Charter Elementary School - South Miami and not in those of the School.

During 2019, the School reimbursed Somerset Charter Elementary School - South Miami approximately $164,500 for shared expenses.

Somerset Academy, Inc. (the "Corporation") charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During 2019, the School paid $29,850 to the Corporation for these shared costs.

Note 6 – Commitments and Contingencies

The School entered into a lease and security agreement with Somi Group, LLC, for its 27,269 square feet facility. The facility will be shared with Somerset Academy Charter Elementary School - South Miami. The Landlord is an affiliate of the School's education services and support provider (See Note 4). Fixed annual payments under this agreement (based on $21.85 per square foot) are $451,824, net of enrollment discounts, adjusted annually based on Consumer Price Index (CPI). The agreement continues through July 31, 2029 with the option to renew for an additional 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.

Note 6 – Commitments and Contingencies (Continued)

Lease payments are allocated between the two schools based on enrollment and usage of facility. The allocation used for 2019, was 33% for the School and 67% for Somerset Academy Charter Elementary School - South Miami. For 2019, rent expense totaled $227,090.

Future minimum payments for the full lease (excluding common area maintenance costs) are as follows:

Year	Base Rent	
2020	$708,093	
2021	$708,093	
2022	$708,093	
2023	$708,093	
2024	$708,093	
2025-2029	$3,540,465	(for a five 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.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 2% of the qualifying revenues of the School. For the year ended June 30, 2019, administrative fees withheld by the School District totaled $25,505.

Note 7 – Risk Management

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

Note 7 – Risk Management (continued)

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

Note 8 – Inter-fund Transfers

Inter-fund transfers in governmental funds as of June 30, 2019 consist of the following:

	General Fund	Special Revenue Fund	Capital Projects Fund (Non-Major)
To fund lunch deficit	$ (10,005)	$ 10,005	$ -
Reimbursement from Restart Grant for prior period expenditures	6,017	(6,017)	-
Total Transfers, net	$ (3,988)	$ 3,988	$ -
Due to General Fund from Capital Projects Fund for capital outlay	$ 6,762	$ -	$ (6,762)
Due to General Fund from Special Revenue Fund for Restart Grant	6,017	(6,017)	-
Due to General Fund from Special Revenue Fund for Title IV	5,072	(5,072)	-
Total Due from/(Due to)	$ 17,851	$ (11,089)	$ (6,762)

Note 9 – Defined Contribution Retirement Plan

Post-retirement Benefits

The School's personnel, which are leased through ADP TotalSource Group, Inc., are eligible to participate in a defined contribution 401(k) plan sponsored by the leasing company, covering employees who meet certain age and tenure requirements. Under the ADP TotalSource Retirement Savings Plan (the "Plan"), the School will match 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan $19,870 for the year ended June 30, 2019. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Voya Financial.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2019

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	$ 1,317,668	$ 1,312,834	$ 1,313,843
Charges and other revenue	20,000	21,962	22,375
Total Revenues	1,337,668	1,334,796	1,336,218
EXPENDITURES			
Current:			
Instruction	703,451	687,431	684,740
Student support servies	2,500	3,800	3,182
Instructional staff training	-	450	277
Board	18,563	17,963	15,462
School administration	191,655	197,476	194,329
Fiscal services	32,250	29,850	29,850
Central services	32,250	46,077	44,948
Operation of plant	206,627	204,717	203,514
Maintenance of plant	50,000	58,000	57,876
Administrative technology services	7,000	7,000	6,377
Total Current Expenditures	1,244,296	1,252,764	1,240,555
Excess of Revenues Over Current Expenditures	93,372	82,032	95,663
Capital Outlay			
Other Capital Outlay	25,000	15,000	11,573
Total Expenditures	1,269,296	1,267,764	1,252,128
Excess of Revenues Over Expenditures	68,372	67,032	84,090
Other financing sources (uses):			
Transfers in (out)	(8,000)	(4,831)	(3,988)
Net change in fund balance	60,372	62,201	80,102
Fund Balance at beginning of year	992,432	992,432	992,432
Fund Balance at end of year	$ 1,052,804	$ 1,054,633	$ 1,072,534

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 Middle School (South Miami Campus)
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2019

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Federal sources	$ 10,000	$ 11,000	$ 11,089
Lunch program	37,000	38,000	38,145
Total Revenues	47,000	49,000	49,234
EXPENDITURES			
Instruction	6,000	5,418	5,072
Food services	49,000	48,413	48,150
Total Current Expenditures	55,000	53,831	53,222
Capital Outlay	-	-	-
Total Expenditures	55,000	53,831	53,222
Excess (Deficit) of Revenues Over Expenditures	(8,000)	(4,831)	(3,988)
Other financing sources (uses)			
Transfers in (out)	8,000	4,831	3,988
Net change in fund balance	-	-	-
Fund Balance at beginning of year	-	-	-
Fund Balance at end of year	$ -	$ -	$ -

Notes to Budgetary Comparison Schedule

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

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

Board of Directors of
Somerset Academy Middle School (South Miami Campus)
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Academy Middle School (South Miami Campus) (the "School") as of, and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 10, 2019.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters which were reported to management in a separate management letter dated September 10, 2019 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 10, 2019

HLB GRAVIER, LLP
CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Board of Directors of
Somerset Academy Middle School (South Miami Campus)
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Academy Middle School (South Miami Campus), Miami, Florida as of and for the fiscal year ended June 30, 2019 and have issued our report thereon dated September 10, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated September 10, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Somerset Academy Middle School (South Miami Campus), 6053.

Financial Condition and Management

Section 10.854(1)(e)2, and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Somerset Academy Middle School (South Miami Campus) 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 Middle School (South Miami Campus) 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 Middle School (South Miami Campus). It is management's responsibility to monitor Somerset Academy Middle School (South Miami Campus)'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 have the following recommendations:

ML – 19-01 CAPITAL ASSETS

Criteria: The School is required to maintain an inventory of capital assets purchased with public funds in accordance with local, state or federal regulations.

Condition: We noted that the School does not have a formal process for reconciling the capital assets inventory report to the capital assets of the Schools trial balance.

Cause: The condition results from school personnel not consistently performing an inventory of all fixed assets and reconciling to the Schools trial balance.

Effect: Failure to perform the procedures mentioned above could result in a misstated Annual Property Inventory.

Recom-
mendation: We recommend that the School perform an annual inventory of all capital assets and reconcile to the capital asset ledgers recorded on the School's books.

Views of
Responsible
Officials: Management will adhere to auditor's recommendation. The ESSP is assisting the schools with identifying the proper support to ensure schools are in full compliance with inventory requirements.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Somerset Academy Middle School (South Miami Campus) 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 Middle School (South Miami Campus) 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 that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

HLB Gravier, LLP

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 10, 2019