

Somerset Preparatory Academy at Silver Palms
W/L #4012
(A charter school under Somerset Academy, Inc.)

Homestead, Florida

Financial Statements and
Independent Auditors' Report

June 30, 2018

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Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc)
W/L#4012

Site 1 - 11655 SW 232 Street
Homestead, Florida 33170

Site 2 – 23255 SW 115th Avenue
Homestead, Florida 33032

2017-2018

BOARD OF DIRECTORS

Lourdes Isla, Board Chair
Todd German, Vice-Chair (Florida), Treasurer, and Director
Louis Marin, Vice Chair (Texas) and Director
Ana Diaz, Secretary and Director
David Concepcion, Director
Dr. Bernard Kimmel, Director
Jennifer Esquijarosa, Director
George B. Ozuna, Member (Texas) and Director – *resigned 4/27/18*
Tony Morales, Director and Student Alumni – *resigned 11/17/17*

SCHOOL ADMINISTRATION

Kerri Ann Rodriguez, Principal

OTHER NON-VOTING CORPORATE OFFICERS

Bernardo Montero, President
Suzette Ruiz, Vice-President



CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Somerset Preparatory Academy at Silver Palms
Homestead, Florida

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Preparatory Academy at Silver Palms (the "School"), a charter school under Somerset Academy, Inc., as of, and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Somerset Preparatory Academy at Silver Palms as of June 30, 2018, 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 Preparatory Academy at Silver Palms as of June 30, 2018, 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, 2018 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 28 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.

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 4, 2018

Management's Discussion and Analysis
Somerset Preparatory Academy at Silver Palms
(A Charter school Under Somerset Academy, Inc.)
June 30, 2018

The corporate officers of Somerset Preparatory Academy at Silver Palms have prepared this narrative overview and analysis of the school's financial activities for the year ended June 30, 2018.

Financial Highlights

1. The net position of the School at June 30, 2018 was \$2,585,918.
2. At year-end, the School had current assets on hand of \$1,566,402.
3. The School had an increase in its net position of \$466,670 for the year ended June 30, 2018.
4. The unassigned fund balance at year end was \$1,087,347.

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, 2018 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

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

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

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

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 15 - 27 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, the net position was \$2,585,918 at the close of the fiscal year. A summary of the School's net position as of June 30, 2018 and 2017 follows:

	2018	2017
Cash and cash equivalents	\$ 505,604	\$ 52,164
Investments	860,000	630,000
Accounts receivable, no allowance necessary	131,610	-
Prepaid expenses	51,885	30,150
Due from other agencies	10,953	11,376
Deposits receivable	6,350	6,350
Due from other division of Somerset Academy, Inc.	-	200,000
Capital Assets, net	1,714,294	1,864,493
Total Assets	3,280,696	2,794,533
Deferred outflows of resources	-	-
Salaries and wages payable	398,931	295,077
Due to other divisions of Somerset Academy, Inc.	150,000	150,000
Tenant improvement debt	123,958	230,208
Total Liabilities	672,889	675,285
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	1,440,336	1,484,285
Unrestricted	1,145,582	634,963
Total Net Position	\$ 2,585,918	\$ 2,119,248

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

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2018 and 2017 follows:

	<u>2018</u>	<u>2017</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 472,477	\$ 434,724
Capital Grants and Contributions	432,422	292,207
Lunch Program	26,999	37,559
General Revenues		
Local Sources(FTE and other non specific)	5,568,274	5,514,699
Other Revenues	8,679	22,479
Total Revenues	<u>\$ 6,508,851</u>	<u>\$ 6,301,668</u>
EXPENSES		
Instruction	\$ 3,073,051	\$ 2,740,735
Student Support Services	67,596	-
Instructional staff training	316	1,984
Board	40,325	88,459
School administration	559,210	721,801
Facilities acquisition	104,595	104,818
Fiscal services	113,850	116,025
Food services	252,303	255,062
Central services	149,180	161,898
Operation of plant	1,559,722	1,513,402
Maintenance of plant	108,816	91,236
Administrative technology services	13,217	-
Total Expenses	<u>6,042,181</u>	<u>5,795,420</u>
Increase in Net Position	466,670	506,248
Net Position at Beginning of Year	2,119,248	1,613,000
Net Position at End of Year	<u>\$ 2,585,918</u>	<u>\$ 2,119,248</u>

The School's revenues increased by \$207,183 and the expenses increased by \$246,761. The School had an increase in its net position of \$466,670 for the year.

School Location and Lease of Facility

The School leases two facilities (shared with other schools). One facility is located at 11655 SW 232 Street, Miami, FL 33170 and the other facility is located at 11455 SW 232 Street, Miami, FL 33170.

Capital Improvement Requirements

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

School Enrollment

This past year, the School had on average 759 students enrolled in grades kindergarten through eighth.

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 \$1,145,582. The fund balance unassigned and available for spending at the School's discretion is \$1,087,347. These funds will be available for the School's future ongoing operations.

Achievements

In 2018, Somerset Preparatory Academy at Silver Palms (Somerset Prep) completed its 7th year of operations, enrolling 759 students. Once again, the school earned a letter grade of "A," ranking among the highest performing public K-8 schools in Miami-Dade County.

This past year, Somerset Academy students participated in various community service projects and fundraisers such as the Scholastic Book Fair, United Way, World's Finest Chocolates, and McDonalds Teacher Night. As a community we came together and held our first annual Harvest Festival. Students also got to participate in school-wide productions such as the Holiday Show, Music in School Show, End of Year Show, Career Day, Hispanic Heritage Show, Black History Month Show, and Spring Show.

With a core philosophy combining high expectations for both students and teachers, Somerset Academy also stresses character development and self-esteem. The school provides its students with a rigorous curriculum, as well as an extra-curricular program of activities, including team sports and over 25 active school clubs including -Student Council, Guitar Club, Art Club, Dance, Cheerleading, Spanish, National Junior Honor Society, Robotics Club, Recycling Club, Environmental Club, Safety Patrol, Future Educators of America, Newspaper Club, Future City, Math Club, Science Club, and Do It Yourself Club. Somerset students have also competed in many athletic and academic competitions, including the Somerset Spelling Bee, the Future City Competition and several Robotics Competitions.

As a member of the Somerset Academy network of high quality charter schools, Somerset Prep 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 elementary schools in Miami-Dade County to be fully accredited by AdvancEd. As with all the schools within the network, Somerset Prep 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.

Capital Assets

The School's investment in capital assets as of June 30, 2018 amounts to \$1,714,294 (net of accumulated depreciation). This investment in capital assets includes leasehold improvements, furniture, fixtures and computer equipment. As of June 30, 2018, the School had long term debt relating to capital assets of \$273,958.

Governmental Fund Budget Analysis and Highlights

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

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 210,876	\$ 211,128	\$ 211,678
Local capital improvement revenue	218,756	219,876	220,744
Federal sources	470,512	471,327	472,477
Lunch program fees	25,642	26,109	26,999
General Revenues			
FTE and other nonspecific revenues	5,720,000	5,559,187	5,568,274
Charges and other revenues	13,000	8,000	8,679
Total Revenues	<u>6,658,786</u>	<u>6,495,627</u>	<u>6,508,851</u>
CURRENT EXPENDITURES			
Instruction	3,130,134	2,997,575	2,990,915
Student support services	47,000	68,176	67,596
Instructional staff training	500	400	316
Board	47,000	41,628	40,325
School administration	622,354	568,917	559,210
Fiscal services	120,000	115,716	113,850
Food services	278,565	286,008	252,303
Central services	120,000	151,817	149,180
Operation of plant	1,904,796	1,561,852	1,555,633
Maintenance of plant	106,248	105,189	104,886
Administrative technology services	16,000	14,196	13,217
Total Current Expenditures	<u>\$ 6,392,597</u>	<u>\$ 5,911,474</u>	<u>\$ 5,847,431</u>

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

Requests for Information

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

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)

Statement of Net Position
June 30, 2018

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash and cash equivalents	\$ 505,604
Investments	860,000
Accounts receivable, no allowance necessary	131,610
Prepaid expenses	51,885
Due from other agencies	10,953
Deposits receivable	6,350
Total Current Assets	1,566,402
Capital assets, depreciable	3,052,846
Less: accumulated depreciation	(1,338,552)
	1,714,294
Total Assets	3,280,696
<u>Deferred Outflows of Resources</u>	-
<u>Liabilities</u>	
Current liabilities:	
Salaries and wages payable	398,931
Accounts payable	21,889
Total Current Liabilities	420,820
Due to other division of Somerset Academy, Inc.	150,000
Tenant improvements long-term debt	123,958
Total Long Term Liabilities	273,958
<u>Deferred Inflows of Resources</u>	-
<u>Net Position</u>	
Net investment in capital assets	1,440,336
Unrestricted	1,145,582
Total Net Position	\$ 2,585,918

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

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)

Statement of Activities
For the year ended June 30, 2018

FUNCTIONS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 3,073,051	\$ -	\$ 204,125	\$ -	\$ (2,868,926)
Student support services	67,596	-	-	-	(67,596)
Instructional staff training	316	-	-	-	(316)
Board	40,325	-	-	-	(40,325)
School administration	559,210	-	-	-	(559,210)
Facilities acquisition	104,595	-	-	-	(104,595)
Fiscal services	113,850	-	-	-	(113,850)
Food services	252,303	26,999	268,352	-	43,048
Central services	149,180	-	-	-	(149,180)
Operation of plant	1,559,722	-	-	432,422	(1,127,300)
Maintenance of plant	108,816	-	-	-	(108,816)
Administrative technology services	13,217	-	-	-	(13,217)
Total governmental activities	6,042,181	26,999	472,477	432,422	(5,110,283)
General revenues:					
FTE and other nonspecific revenues					5,568,274
Interest and other revenue					8,679
Change in net position					466,670
Net position, beginning					2,119,248
Net position, ending					\$ 2,585,918

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

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)

Balance Sheet - Governmental Funds
June 30, 2018

	General Fund	Non-major Governmental Funds	Total Governmental Funds
<u>Assets</u>			
Cash and cash equivalents	\$ 505,604	\$ -	\$ 505,604
Investments	860,000	-	860,000
Accounts receivable	131,610		131,610
Due from other agencies	-	10,953	10,953
Due from fund	10,953	-	10,953
Prepaid expenses	51,885	-	51,885
Deposits receivable	6,350	-	6,350
Total Assets	<u>1,566,402</u>	<u>10,953</u>	<u>1,577,355</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Liabilities</u>			
Salaries and wages payable	398,931	-	398,931
Accounts payable	21,889	-	21,889
Due to fund	-	10,953	10,953
Total Liabilities	<u>420,820</u>	<u>10,953</u>	<u>431,773</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Fund balance</u>			
Nonspendable, not in spendable form	58,235	-	58,235
Unassigned	1,087,347	-	1,087,347
	<u>1,145,582</u>	<u>-</u>	<u>1,145,582</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,566,402</u>	<u>\$ 10,953</u>	<u>\$ 1,577,355</u>

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

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2018

Total Fund Balance - Governmental Funds \$ 1,145,582

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

Capital assets of \$3,052,846 net of accumulated depreciation of \$1,338,552 used in governmental activities are not financial resources and therefore are not reported in the fund. 1,714,294

Long term liabilities of \$273,958 are not due and payable in the current period and therefore are not reported in the fund. (273,958)

Total Net Position - Governmental Activities \$ 2,585,918

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

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2018

	General Fund	Non-major Governmental Funds	Total Governmental Funds
Revenues:			
State capital outlay funding	\$ -	\$ 211,678	\$ 211,678
State passed through local	5,568,274	-	5,568,274
Local capital improvement revenue	-	220,744	220,744
Federal sources	-	472,477	472,477
Lunch program fees	-	26,999	26,999
Charges and other revenue	8,679	-	8,679
Total Revenues	5,576,953	931,898	6,508,851
Expenditures:			
Current			
Instruction	2,786,790	204,125	2,990,915
Board	40,325	-	40,325
Student support services	67,596	-	67,596
Instructional staff training	316	-	316
School administration	559,210	-	559,210
Fiscal services	113,850	-	113,850
Food services	-	252,303	252,303
Central services	149,180	-	149,180
Operation of plant	1,123,211	432,422	1,555,633
Maintenance of plant	104,886	-	104,886
Administrative technology services	13,217	-	13,217
Capital Outlay:			
Other capital outlay	44,551	-	44,551
Debt service:			
Repayment of tenant improvement debt	106,250	-	106,250
Total Expenditures	5,109,382	888,850	5,998,232
Excess (deficit) of revenues over expenditures	467,571	43,048	510,619
Other financing sources (uses)			
Transfers in (out)	43,048	(43,048)	-
Net change in fund balance	510,619	-	510,619
Fund Balance at beginning of year	634,963	-	634,963
Fund Balance at end of year	\$ 1,145,582	\$ -	\$ 1,145,582

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

Somerset Preparatory Academy at Silver Palms
(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, 2018

Net Change in Fund Balance - Governmental Funds	\$ 510,619
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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 \$44,551 differed from depreciation expense of \$194,750.	(150,199)
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Decrease in long term payables is an expenditure in the governmental funds, but a decrease long-term liabilities in the statement of net position. This is the amount by which increase in long-term payables of \$0 differed from reduction of \$106,250 in the current period.	<u>106,250</u>
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Change in Net Position of Governmental Activities	<u>\$ 466,670</u>
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The accompanying notes are an integral
part of this financial statement.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Somerset Preparatory Academy at Silver Palms (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, 2030 and it can be renewed in accordance with law. A charter can also be terminated before its date of expiration for reasons set forth in the charter and Section 1002.33 of the Florida Statutes.

The School is located in Miami, Florida for students from grades kindergarten through eighth and is funded by the District. These financial statements are for the year ended June 30, 2018, when on average 759 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 and Fund 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.

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 non-major funds aggregated in a single column:

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

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) *Codification of Accounting and Financial Reporting Guidance*.

Note 1 – Summary of Significant Accounting Policies (continued)

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available. Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. "Measurable" means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

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* (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.

The School operates one lunch site that is part of the charter holder National School Lunch program. During the year, the combined operations of all sites operated at a deficit that was funded by the general fund. Accordingly, any deficit or excess in an individual charter school is transferred to the general fund.

Due from Other Governments or Agencies

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

Long-Term Debt

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

Capital Assets

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

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 inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned). All nonspendable fund balances at year end relate to not in spendable form assets.
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted fund balances at year end.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. 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 balance. 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.

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.

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 4, 2018, which is the date the financial statements were available to be issued.

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2018

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, 2018:

	Balance 07/01/17	Additions	Retirements	Balance 06/30/18
Capital Assets:				
Land, buildings and Improvements	\$ 2,099,316	\$ 40,425	\$ -	\$ 2,139,741
Computer equipment and software	420,830	4,126	-	424,956
Furniture, equipment and textbooks	488,149	-	-	488,149
Total Capital Assets	<u>\$ 3,008,295</u>	<u>\$ 44,551</u>	<u>\$ -</u>	<u>\$ 3,052,846</u>
Less Accumulated Depreciation:				
Buildings and Improvements	\$ (459,846)	\$ (109,515)	\$ -	\$ (569,361)
Computer equipment and software	(279,614)	(43,516)	-	(323,130)
Furniture, equipment and textbooks	(404,342)	(41,719)	-	(446,061)
Total Accumulated Depreciation	<u>\$ (1,143,802)</u>	<u>\$ (194,750)</u>	<u>\$ -</u>	<u>\$ (1,338,552)</u>
Capital Assets, net	<u>\$ 1,864,493</u>	<u>\$ (150,199)</u>	<u>\$ -</u>	<u>\$ 1,714,294</u>

For the fiscal year ended June 30, 2018, depreciation expense is allocated in the Statement of Activities by function as follows:

Instruction	\$ 82,136
Facilities acquisition	104,595
Operation of plant	4,089
Maintenance of Plant	3,930
Total Depreciation Expense	<u>\$ 194,750</u>

Note 3 – Cash, Cash Equivalents and Investments

Deposits

The School maintains its cash and cash equivalents in one financial institution. As of June 30, 2018, the School's deposits consisted of cash balances of \$4,466.

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, 2018, bank balances in potential excess of FDIC coverage was \$4,466.

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, 2018, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$860,000 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 January 31, 2018, maturities of the fund's portfolio holdings are approximately 59% 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.

Note 3 – Cash, Cash Equivalents and Investments (continued)

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, 2018, 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, 2018, the School incurred approximately \$341,550 in fees.

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

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

During the current year, the School leased a facility that was shared with Somerset Academy at Silver Palms (a charter schools under Somerset Academy, Inc.). As a result, certain activities such as fundraising activities were recorded in the books of Somerset Academy at Silver Palms and not in the books of the School. During the year, Somerset Academy at Silver Palms paid \$218,793 in rent payments directly to the landlords.

The School's facility is shared with Somerset Silver Palm and Somerset High Dade (charter schools under Somerset Academy, Inc.). Management allocates a proportionate share of leases, salaries, lunch receipts, food and supplies, and other expenses to each school individually based on student enrollment and usage of facilities and staff. In addition, the School's student activities account includes the accounts of Somerset Silver Palm School. As of June 30, 2018, the School had a due from Somerset Silver Palm School of \$131,610 related to these allocations.

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2018

Note 5 –Transactions with other division of Somerset Academy, Inc. (continued)

The School has long-term payables to other charter schools under Somerset Academy, Inc. as follows:

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Somerset Academy High Dade	\$ 150,000	\$ -	\$ -	\$ 150,000
Total Long Term Payables	\$ 150,000	\$ -	\$ -	\$ 150,000

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

Somerset Academy, Inc., (the "Corporation") charges an assessment to all its affiliated schools for shared corporate costs and accreditation expenses. During the year ended June 30, 2018, the school paid \$ 113,175 to the Corporation for these shared costs.

Note 6 – Commitments, Contingencies and Concentrations

During the current year, the School operated in a facility under a lease with Southwestern Grant II, LLC (Phase I) for its 41,700 square feet building including all ancillary facilities, outdoor areas and other improvements. The Landlord is an affiliate of the School's education services and support provider. (See Note 4). Initial fixed annual payments under this agreement (fee per square foot varies) are approximately \$610,588 adjusted annually based on the greater of 3% or the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. Extended fixed annual payments under this agreement

During the current year, the School utilized a second facility that was shared with Somerset Academy at Silver Palms (a charter schools under Somerset Academy, Inc.) and shares in the related lease entered into with Southwestern Grant II, LLC (Phase II). This lease includes a 21,058 square feet building including all ancillary facilities, outdoor areas and other improvements. The Landlord is an affiliate of the School's education services and support provider. (See Note 4). Initial fixed annual payments under this agreement (based on \$19.12 per square foot) are approximately \$402,629 adjusted annually based on the greater of 3% or the Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance. The agreement continues through July 31, 2036 with an option to renew for two additional five-year term. 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 and maintaining a reserve for property expenses such as repairs, maintenance, taxes or insurance. .

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)
Notes to Financial Statements
June 30, 2018

Note 6 – Commitments, Contingencies and Concentration (continued)

Lease payments were allocated between the two schools based on enrollment and usage of facility. The allocation used for 2018, was 49% for the School and 51% for Somerset Academy at Silver Palms.

Under the agreement, the School will reimburse the landlord for tenant improvements. As of June 30, 2018, the School capitalized approximately \$425,000 of tenant improvements, of which approximately \$123,958 were payable at year end. The following summarizes the activity in the tenant improvement liability, including the activity from the initial lease (Phase I).

	Balance 07/01/17	Additions	Deletions	Balance 06/30/18
Due to landlord	\$ 230,208	\$ -	\$ 106,250	\$ 123,958
	\$ 230,208	\$ -	\$ 106,250	\$ 123,958

Future minimum principal payments for the tenant improvement are as follows:

Year	
2019	\$106,250
2020	\$17,708

For 2018, rent expense for all leases totaled \$1,055,609.

Subsequent to the current year, the School will operate in a facility under a lease with Princeton Church of the Nazarene, Inc. The two facilities noted above will be utilized and all lease commitments will be assumed by Somerset Academy at Silver Palms.

The initial term of the new lease is ten (10) years beginning July 1, 2018 and ending June 30, 2028. The school shall pay to Organization during the Initial Term and each subsequent year of the term, including a renewal term thereafter, and amount of nine hundred fifty dollars per student (\$950) per student, per annum based on a minimum student enrollment. Additionally, to the base rent, the school shall pay to Organization the Per Student Rate, for each student enrolled by the school in excess of the Minimum Student Enrollment. The student rate shall be adjusted annually at each anniversary date of this Agreement, commencing during the second year using Consumer Price Index (CPI) plus additional property costs including repairs, maintenance and insurance

Future minimum payments for the new lease are as follows:

Year	Minimum Lease Payment
2019	\$308,750
2020	\$403,750
2021	\$498,750
2022	\$570,000
2023	\$570,000
2024-2028	\$2,850,000

Note 6 – Commitments, Contingencies and Concentration (continued)

Contingencies and Concentration

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, 2018, administrative fees withheld by the School District totaled \$36,189.

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 8 – Defined Contribution Retirement Plan

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 provides a match of 100% of the employee's contribution up to 4% of the employee's compensation. The School contributed to the Plan \$73,253 for the year ended June 30, 2018. The School does not exercise any control or fiduciary responsibility over the Plans' assets, which are administered by Voya.

Note 9 – Subsequent Event

As noted in Note 6, subsequent to year end, the School moved to new facilities and change its name to Somerset Academy Silver Palms at Princeton.

REQUIRED SUPPLEMENTARY INFORMATION

Somerset Preparatory Academy at Silver Palms
(A charter school under Somerset Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2018

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 5,720,000	\$ 5,559,187	\$ 5,568,274
Charges and other revenue	13,000	8,000	8,679
Total Revenues	5,733,000	5,567,187	5,576,953
EXPENDITURES			
Current:			
Instruction	2,923,681	2,790,817	2,786,790
Student Support Services	47,000	68,176	67,596
Instructional Staff Training	500	400	316
Board	47,000	41,628	40,325
School Administration	622,354	568,917	559,210
Fiscal Services	120,000	115,716	113,850
Central Services	120,000	151,817	149,180
Operation of Plant	1,464,028	1,126,178	1,123,211
Maintenance of Plant	106,248	105,189	104,886
Community Services	16,000	14,196	13,217
Total Current Expenditures	5,466,811	4,983,034	4,958,581
Excess of Revenues			
Over Current Expenditures	266,189	584,153	618,372
Debt Service:			
Redemption of Principal	72,497	106,250	106,250
Capital Outlay	20,000	50,000	44,551
Other Capital Outlay			
Total Capital Outlay and			
Debt Service Expenditures	92,497	156,250	150,801
Total Expenditures	5,559,308	5,139,284	5,109,382
Excess of Revenues Over Expenditures	173,692	427,903	467,571
Other financing sources (uses):			
Transfers in (out)	-	-	43,048
Net change in fund balance	173,692	427,903	510,619
Fund Balance at beginning of year	634,963	634,963	634,963
Fund Balance at end of year	\$ 808,655	\$ 1,062,866	\$ 1,145,582

Notes to Budgetary Comparison Schedule

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

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

To the Board of Directors of
Somerset Preparatory Academy at Silver Palms
Homestead, 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 Preparatory Academy at Silver Palms (the "School") as of, and for the year ended June 30, 2018, 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 4, 2018.

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 issued a separate management letter dated September 4, 2018 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this report

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

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 4, 2018



CERTIFIED PUBLIC ACCOUNTANTS

MANAGEMENT LETTER

Board of Directors of
Somerset Preparatory Academy at Silver Palms
Homestead, Florida

Report on the Financial Statements

We have audited the financial statements of Somerset Preparatory Academy at Silver Palms as of and for the fiscal year ended June 30, 2018 and have issued our report thereon dated September 4, 2018.

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 Reports and Schedules

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and 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 4, 2018, 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 report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Somerset Preparatory Academy at Silver Palms.

Financial Condition

Section 10.854(1)(e)2, Rules of the Auditor General, requires that we report the results of our determination as to whether or not Somerset Preparatory Academy at Silver Palms has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that Somerset Preparatory Academy at Silver Palms did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition (Continued)

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 Preparatory Academy at Silver Palms. It is management's responsibility to monitor Somerset Preparatory Academy at Silver Palms's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. We have applied such procedures as of the fiscal year end and no deteriorating financial condition has been noted.

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether Somerset Preparatory Academy at Silver Palms 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 Preparatory Academy at Silver Palms maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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.

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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
September 4, 2018