

SAMSULA ACADEMY
(A Component Unit of the District School Board of
Volusia County, Florida)

FINANCIAL STATEMENTS
(Audited)

Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Governing Board of
Samsula Academy

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Samsula Academy (the School), a component unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' 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 and each major fund of Samsula Academy as of June 30, 2020 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 3-5 and budgetary comparison information on page 15 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 25, 2020 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, and 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 effectiveness of the School's 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.

Holland & Reilly

Orlando, Florida
September 25, 2020

**SAMSULA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2020**

Our discussion and analysis of Samsula Academy's (the School) financial performance provides an overview of the School's activities for the year ended June 30, 2020. Please read it in conjunction with the financial statements, which begin on page 6.

Overview of the Financial Statements

The organization-wide and fund financial statements are combined for this report, as all activities of the School are governmental activities and the School is deemed to be a single-program government. The report consists of the organization-wide and fund statements and notes to the financial statements. The statements are designed to provide readers with an overview of the School's finances in a manner similar to a private-sector business.

The Statement of Net Position and Governmental Funds Balance Sheet presents information on all of the School's assets and liabilities, with the difference between the two reported as net position/fund balances as of June 30, 2020. Over time, increases or decreases in net position/fund balances may serve as a useful indicator of whether the School's financial condition is improving or deteriorating.

The Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances presents information showing how the School's net position/fund balances changed during the most recent fiscal year. The School's organization-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, whereby changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result only in cash flows in future fiscal periods (e.g., earned but unused personal leave). Governmental activities are primarily supported by state and local sources, and charges for services.

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Reconciliation of the organization-wide and fund financial statements is provided in Note 2 on page 12.

Financial Highlights

- The School was closed for several months near the School year-end, as mandated by the state, due to the coronavirus pandemic. Consequently, the School's overall revenues were negatively impacted, resulting in an excess of expenditures over revenues of \$22,174.
- The School's governmental funds had a positive fund balance of \$539,128, which represents a \$22,174 decrease from the prior year's fund balance of \$561,302.
- Student enrollment at June 30, 2020 was 212 students.

Financial Analysis

Government-wide Financial Statements

Net position may serve over time as a useful indicator of the School's financial position. At the close of the fiscal year, assets exceeded liabilities by \$1,722,463. A substantial portion of net position represents net investment in capital assets, and thus is not available for future spending. The balance in unrestricted net position was \$341,195.

GASB Statement 34 does not allow net position to be represented as "restricted" unless there are external legal restrictions on how it may be used. Thus, while there may be long-term management plans for unrestricted net position, it must be shown as unrestricted until such external restrictions occur.

**SAMSULA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2020**

The following is a summary of changes in the Statement of Activities:

| | <u>2019</u> | <u>2020</u> |
|-----------------------------|---------------------|---------------------|
| Program revenues: | | |
| Charges for services | \$ 243,785 | \$ 156,352 |
| General revenues: | | |
| Federal sources | 5,932 | - |
| State sources | 1,696,144 | 1,599,461 |
| Local sources | 160,111 | 128,814 |
| Donations | 1,559 | 2,600 |
| Total revenues | <u>2,107,531</u> | <u>1,887,227</u> |
| Expenses: | | |
| Instruction-basic | 1,088,742 | 971,840 |
| Instruction-exceptional | 168,334 | 193,619 |
| General administration | 28,271 | 26,377 |
| School administration | 282,627 | 331,885 |
| Fiscal services | 61,063 | 65,243 |
| Food services | 92,367 | 83,878 |
| Operation of plant | 227,067 | 236,731 |
| Other programs and services | 104,684 | 73,510 |
| Total expenses | <u>2,053,155</u> | <u>1,983,083</u> |
| Change in net position | 54,376 | (95,856) |
| Net position: | | |
| Beginning of year | <u>1,763,943</u> | <u>1,818,319</u> |
| End of year | <u>\$ 1,818,319</u> | <u>\$ 1,722,463</u> |

General revenues decreased by \$132,871, primarily due to decreases in the Florida Education Finance Program and capital outlay funding. Program revenues decreased by \$87,433, mainly due to the School being closed for a few months near the School year-end, as mandated by the state, due to the coronavirus pandemic. Total expenses decreased \$70,072 over the prior fiscal year primarily due to decreases, with lower increases, in various function areas.

The following is a summary of changes in the Statement of Net Position.

| | <u>2019</u> | <u>2020</u> | <u>% change</u> |
|----------------------------------|---------------------|---------------------|---------------------|
| Total assets | \$ 1,903,159 | \$ 1,762,267 | (7.4) |
| Total liabilities | <u>84,840</u> | <u>39,804</u> | (53.1) |
| Net position: | | | |
| Net investment in capital assets | 1,309,264 | 1,208,111 | (7.7) |
| Restricted | 168,569 | 173,157 | 2.7 |
| Unrestricted | 340,486 | 341,195 | 0.2 |
| | <u>\$ 1,818,319</u> | <u>\$ 1,722,463</u> | |

**SAMSULA ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
for the year ended June 30, 2020**

Total assets decreased by \$140,892 primarily due to a decrease in cash and the depreciation on capital assets. Total liabilities decreased by \$45,036 primarily due to a decrease in accounts payable and compensated absences.

Governmental Fund Financial Statements

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the unassigned fund balance of the General Fund was \$329,876. The non-spendable fund balance was \$36,095 for a total of \$365,971. The total fund balance for the School was \$539,128. As a measure of the General Fund liquidity, it may be useful to compare total General Fund balance to total fund expenditures. Total General Fund balance represents 19%, or about two months, of total General Fund expenditures.

Expenditures were \$26,762 greater than revenues in the General Fund for the current year. In the prior year, General Fund revenues were \$108,201 greater than General Fund expenditures.

General Fund – Budget and Actual

A comparison of budgeted and actual amounts is shown on page 15 of the financial statements. Actual revenues were less than budgeted by \$210,079, primarily due to decreased FEFP funding and charges for service revenue, and actual expenditures were less than appropriations by \$63,928, primarily due to a reduction in basic instruction and operation of plant costs.

Capital Assets

Capital Assets – The School's investment in capital assets includes land, building and improvements, and furniture and equipment. The investment in capital assets at June 30, 2020 is \$1,208,111 (net of accumulated depreciation). Current year additions were computer equipment, totaling \$2,130. See Note 4 for additional information on capital assets.

Economic Factors and Next Year's Budget

The Samsula Academy 2020-2021 budget was approved at the September 2020 Governing Board meeting. The following was taken into consideration when compiling the budget: increase of payroll (due to the state mandate for instructional personnel; base pay raised to \$47,500 minimum, with a one-time State allotment to help meet the mandate), decrease of teachers, reduction of student enrollment; reduction of expenditures in various areas; continued use of vendor for part time speech language pathologist; increased student technology needs due to age of current devices; decreases in property and liability insurances, and slight ncrease in health insurance costs (the School offset the cost to employees by increasing the employer contribution). The School's annual budget is based on 200 students and we currently have 173 students. The expectation is that enrollment will increase by the October and February FTE surveys following trends from prior years.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the Principal, Samsula Academy, 248 N. Samsula Drive, New Smyrna Beach, Florida 32168.

SAMSULA ACADEMY
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2020

| | Governmental Funds | | | Adjust- ments | Statement of Net Position |
|----------------------------------------------------|--------------------|---------------------|-------------------|---------------------|---------------------------------|
| | General | Capital Projects | Total | | |
| Assets: | | | | | |
| Cash and cash equivalents | \$ 341,015 | \$ 165,595 | \$ 506,610 | \$ - | \$ 506,610 |
| Accounts receivable | | 7,562 | 7,562 | | 7,562 |
| Due from Reading Edge Academy | 3,889 | | 3,889 | | 3,889 |
| Inventory | 6,023 | | 6,023 | | 6,023 |
| Prepaid items | 22,822 | | 22,822 | | 22,822 |
| Deposits | 7,250 | | 7,250 | | 7,250 |
| Capital assets not being depreciated | | | - | 200,000 | 200,000 |
| Capital assets, net of accumulated depreciation | | | - | 1,008,111 | 1,008,111 |
| | \$ 380,999 | \$ 173,157 | \$ 554,156 | \$ 1,208,111 | \$ 1,762,267 |
| Total assets | \$ 380,999 | \$ 173,157 | \$ 554,156 | \$ 1,208,111 | \$ 1,762,267 |
| Liabilities: | | | | | |
| Current liabilities | | | | | |
| Accounts payable | 2,838 | | 2,838 | | 2,838 |
| Accrued liabilities | 12,190 | | 12,190 | | 12,190 |
| Noncurrent liabilities | | | | | |
| Compensated absences | | | - | 24,776 | 24,776 |
| Total liabilities | 15,028 | - | 15,028 | 24,776 | 39,804 |
| Fund Balances/Net Position: | | | | | |
| Fund balances: | | | | | |
| Nonspendable | 36,095 | | 36,095 | (36,095) | - |
| Restricted | | 173,157 | 173,157 | (173,157) | - |
| Unassigned | 329,876 | | 329,876 | (329,876) | - |
| Total fund balances | 365,971 | 173,157 | 539,128 | (539,128) | - |
| Total liabilities and fund balances | \$ 380,999 | \$ 173,157 | \$ 554,156 | | |
| Net position: | | | | | |
| Net investment in capital assets | | | | 1,208,111 | 1,208,111 |
| Restricted | | | | 173,157 | 173,157 |
| Unrestricted | | | | 341,195 | 341,195 |
| Total net position | | | | \$ 1,722,463 | \$ 1,722,463 |

See accompanying notes.

SAMSULA ACADEMY
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
for the year ended June 30, 2020

| | <u>Governmental Funds</u> | | | <u>Adjust- ments</u> | <u>Statement of Activities</u> |
|-------------------------------------------------------------------------------|---------------------------|-----------------------------|-------------------|--------------------------|----------------------------------------|
| | <u>General</u> | <u>Capital Projects</u> | <u>Total</u> | | |
| Expenditures/expenses: | | | | | |
| Instruction - basic | \$ 943,401 | \$ - | \$ 943,401 | \$ 28,439 | \$ 971,840 |
| Instruction - exceptional | 193,619 | | 193,619 | | 193,619 |
| General administration | 26,377 | | 26,377 | | 26,377 |
| School administration | 311,612 | 2,130 | 313,742 | 18,143 | 331,885 |
| Fiscal services | 65,243 | | 65,243 | | 65,243 |
| Food services | 82,352 | | 82,352 | 1,526 | 83,878 |
| Operation of plant | 211,157 | | 211,157 | 25,574 | 236,731 |
| Other programs and services | 73,510 | | 73,510 | | 73,510 |
| Total expenditures/expenses | <u>1,907,271</u> | <u>2,130</u> | <u>1,909,401</u> | <u>73,682</u> | <u>1,983,083</u> |
| Program revenues: | | | | | |
| Charges for services | <u>156,352</u> | | <u>156,352</u> | | <u>156,352</u> |
| Net program expense | | | | | <u>1,826,731</u> |
| General revenues: | | | | | |
| State sources | 1,490,292 | 109,169 | 1,599,461 | | 1,599,461 |
| Local sources | 128,814 | | 128,814 | | 128,814 |
| Donations | | 2,600 | 2,600 | | 2,600 |
| Total general revenues | <u>1,619,106</u> | <u>111,769</u> | <u>1,730,875</u> | <u>-</u> | <u>1,730,875</u> |
| Excess of revenues over (under) expenditures | (131,813) | 109,639 | (22,174) | | |
| Other funding sources (uses): | | | | | |
| Transfers in (out) | <u>105,051</u> | <u>(105,051)</u> | <u>-</u> | | <u>-</u> |
| Total other funding sources (uses) | <u>105,051</u> | <u>(105,051)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Excess of revenues and other funding sources (uses) over (under) expenditures | (26,762) | 4,588 | (22,174) | 22,174 | |
| Change in net position | | | | (95,856) | (95,856) |
| Fund balance/net position: | | | | | |
| Beginning of year | <u>392,733</u> | <u>168,569</u> | <u>561,302</u> | <u>-</u> | <u>1,818,319</u> |
| End of year | <u>\$ 365,971</u> | <u>\$ 173,157</u> | <u>\$ 539,128</u> | <u>\$ -</u> | <u>\$ 1,722,463</u> |

See accompanying notes.

**SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies

Reporting Entity – Samsula Academy (the School) is part of the Florida system of public education under the general direction of the Florida Department of Education (Department). The School was created pursuant to Chapter 228, Florida Statutes, under the charter of another charter school, Reading Edge Academy, Inc. (Reading Edge). Reading Edge's charter was amended to allow for the operation of a second school site, Samsula Academy, beginning the 2008-2009 school year. Prior to the school year 2011-2012, the School's activity was included with Reading Edge's activity in combined financial statements. Since the School now operates under its own charter with the School Board, it is required to issue separate financial statements.

Commencing with school year 2011-2012, the School operates under its own charter which was approved by the District School Board of Volusia County, Florida (School Board). This charter was renewed in July 2016 and is in effect through June 30, 2021. The charter is subject to annual review and may be terminated during the term of the charter. In the event the School is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the School Board.

The Florida Department of Education has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools - The Red Book", issued by the Department. The School's charter with the School Board requires the use of the governmental reporting model and The Red Book.

As required by U.S. generally accepted accounting principles, the financial reporting entity consists of (1) the primary government, (2) organizations for which the School is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The School is financially accountable if it appoints a voting majority of the organization's governing body and (a) they are able to impose their will on that organization or (b) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the School. Based on these criteria, the School's management examined all organizations that were legally separate in order to determine which organizations, if any, should be included in the School's financial statements. Management determined there are no component units.

Income Taxes - Samsula Academy is not a separate legal entity and operates within the legal structure of Reading Edge Academy, Inc. which is a Florida not-for-profit organization that is exempt from state and federal income taxes under Internal Revenue Service Code Section 501(c)(3). Accordingly, no provision has been made for federal or state income tax in these financial statements.

Government-wide and Fund Financial Statements – The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the activities of the School. The effect of interfund activities has been removed from these statements. The School has only governmental activities and does not engage in any business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for goods and services provided to participants on a voluntary basis. General revenues represent amounts received from federal, state and local sources. Fund financial statements are presented for the School's General and Capital Projects Funds, which are considered to be major funds.

SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies - continued

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements are reported using the economic resources measurement focus and the 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due.

When both restricted and unrestricted resources are available for use to pay expenses, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues.

The School reports the following major governmental funds:

General Fund – accounts for all financial resources not required to be accounted for in another fund and for certain revenues from federal and state sources that are legally restricted to be expended for specific current operating purposes.

Capital Projects Fund – to account for financial resources (e.g. Public Education Capital Outlay and Local Capital Improvement Revenue) that are restricted, committed, or assigned for expenditure for capital outlay, including acquisition or construction of major capital facilities or other capital assets.

Budgets and Budgetary Accounting – Budgets are prepared and original budgets are adopted annually for all governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2020, the Board adopted an annual budget for the General Fund. The School is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g. salaries, purchased services, and capital outlay) within each activity (e.g., instructional, school administration, and fiscal services) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposit accounts, money market, and savings accounts. Money market accounts are stated at fair value.

**SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - continued

Inventory and Prepaid Items – Inventories of food and school uniforms are valued at cost using the first-in, first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets consist of land, buildings, improvements other than buildings, and furniture and equipment. Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined as assets with a cost of \$750 or more with a useful life of more than one year. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation has been provided on capital assets as a direct charge using the straight-line method over the estimated useful lives of the various classes of depreciable assets, as follows:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Improvements other than buildings | 8-15 |
| Buildings | 40 |
| Furniture and equipment | 3-10 |

Compensated Absences – It is the School's policy to grant employees sick leave based upon employment agreements with the School. Sick leave may be used as time off or accrued up to a prescribed maximum number of hours. Employees resigning or retiring with two weeks' notice shall be paid for their credited sick leave up to the maximum allowable rate. Such leave pay shall be made in accordance with individual employment contracts. Employees who terminate prior to completion of six months' continuous service will not be paid for any accrued sick leave time.

State Revenue Sources – Revenue from State sources for current operations are primarily from the Florida Education Finance Program administered by the Florida Department of Education under the provisions of Section 1011.60, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department.

The Department performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the School. The School is permitted to amend its original reporting for a period of one year following the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categorical educational programs. Florida Department of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund.

The Florida Department of Education allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The School Board remits funds to the School on a monthly basis, at which time the School recognizes revenues from these sources.

**SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

1. Summary of Significant Accounting Policies - continued

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

Fund Balances – In accordance with GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the School is required to report fund balance amounts in five classifications – nonexpendable and the spendable categories of restricted, committed, assigned, and unassigned, as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal or contractual requirements. The School had \$36,095 in non-spendable fund balance amounts at June 30, 2020 for inventory (\$6,023), prepaid items (\$22,822) and deposits (\$7,250).

Restricted – amounts that are constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The School had \$173,157 in restricted fund balance for capital outlay at June 30, 2020.

Committed – amounts that can be used only for specific purposes pursuant to constraints imposed by formal action by the School's highest level of decision-making authority. The School's Board of Directors addresses these commitments through formal board action prior to the School's fiscal year end. The School had no committed fund balance amounts at June 30, 2020.

Assigned – amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance amounts may be assigned by the School's Board of Directors and/or the Executive Committee if so delegated by the School's Board of Directors. The School had no assigned fund balance amounts at June 30, 2020.

Unassigned – includes residual positive fund balance within the General Fund not classified within the other above-mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts.

The School does not have a formal minimum fund balance policy, nor has it established any stabilization arrangements within fund balances.

**SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

2. Reconciliation of Government-Wide and Fund Financial Statements

Adjustments were made to include capital assets (net of accumulated depreciation) and compensated absences on the statement of net position. This resulted in a net difference of \$1,183,335 between ending governmental fund balances and total net position as follows:

| | |
|---------------------------|----------------------------|
| Governmental fund balance | \$ 539,128 |
| Capital assets, net | 1,208,111 |
| Compensated absences | <u>(24,776)</u> |
| Total net position | <u><u>\$ 1,722,463</u></u> |

Adjustments were made to include depreciation expense, eliminate capital outlay expenditures, and adjust change in compensated absences. This resulted in a net difference of (\$73,682) between "excess of revenue over expenditures" and "change in net position" as follows:

| | |
|--------------------------------------|---------------------------|
| Excess of expenditures over revenues | \$ (22,174) |
| Add: Capital outlay expenditures | 2,130 |
| Decrease in compensated absences | 27,471 |
| Less: Depreciation expense | <u>(103,283)</u> |
| Change in net position | <u><u>\$ (95,856)</u></u> |

3. Cash and Cash Equivalents

At June 30, 2020, the carrying amount of demand deposits and cash on hand totaled \$506,610.

As State of Florida Statutes requires, all cash and cash equivalents are held at financial institutions approved by the State Treasurer to hold public deposits in accordance with the "Florida Security for Public Deposits Act", Chapter 280 Florida Statutes. This statute requires every qualified public depository institution to maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depository to the State Treasurer is defined by the statute. In the event of a failure of any member in the pool, the Public Deposit Security Trust Fund has a procedure whereby the remaining member institutions would be responsible for covering any resulting losses. Since the School's deposits are held in a qualified public depository, they are covered by the collateral pool as the School had identified itself as a public entity at June 30, 2020.

The School has not adopted a formal investment policy. Thus, there are no policies relative to interest rate risk or credit risk.

**SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

4. Capital Assets:

The following is a summary of changes in capital assets during the fiscal year:

| | Balance June 30, 2019 | Increases | Decreases | Balance June 30, 2020 |
|---------------------------------------------------|-----------------------------|------------------|-----------|-----------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 200,000 | - | - | 200,000 |
| Total capital assets not being depreciated | <u>200,000</u> | <u>-</u> | <u>-</u> | <u>200,000</u> |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 1,938,692 | - | | 1,938,692 |
| Furniture and equipment | 123,463 | 2,130 | - | 125,593 |
| Total capital assets being depreciated | <u>2,062,155</u> | <u>2,130</u> | <u>-</u> | <u>2,064,285</u> |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | 879,110 | 91,572 | | 970,682 |
| Furniture and equipment | 73,781 | 11,711 | - | 85,492 |
| Total accumulated depreciation | <u>952,891</u> | <u>103,283</u> | <u>-</u> | <u>1,056,174</u> |
| Total capital assets being depreciated, net | <u>1,109,264</u> | <u>(101,153)</u> | <u>-</u> | <u>1,008,111</u> |
| Total capital assets, net | <u>\$ 1,309,264</u> | <u>(101,153)</u> | <u>-</u> | <u>1,208,111</u> |
| Depreciation was charged to functions as follows: | | | | |
| Instruction - basic | | | | \$ 55,910 |
| School administration | | | | 20,273 |
| Food services | | | | 1,526 |
| Operation of plant | | | | 25,574 |
| | | | | <u>\$ 103,283</u> |

During the 2008-2009 school year, the Volusia County School Board donated, with certain restrictions, the building in which the School operates. The School must use the building solely for public school purposes – it may not assign, sell, convey, mortgage, lease, pledge or transfer the property. If any of these actions occur, the building may revert back to the School Board.

5. Long-term Liabilities

The following is a summary of the change in long-term obligations during the fiscal year:

| | Balance June 30, 2019 | Increases | Decreases | Balance June 30, 2020 | Due Within One Year |
|------------------------|-----------------------------|-----------|-----------|-----------------------------|---------------------------|
| Noncurrent liabilities | | | | | |
| Compensated absences | \$ 52,247 | - | 27,471 | 24,776 | - |

**SAMSULA ACADEMY
NOTES TO FINANCIAL STATEMENTS**

6. Risk Management Programs

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. General liability, automotive, and health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. There have been no significant reductions in insurance coverage during the year ended June 30, 2020. Settled claims resulting from these risks have not exceeded commercial coverage in the past three years.

7. Contingent Liabilities

Amounts received from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

8. Retirement Plan

Samsula Academy is not a separate legal entity and operates within the legal structure of Reading Edge Academy, Inc. which established a 401(k) savings plan beginning July 1, 2011. Under this plan an employee is eligible to participate immediately upon hire, with no service requirement or age limitation. The plan allows matching employer contributions up to 3% of eligible participants' compensation. During the year ended June 30, 2020, the School's contribution was \$29,076.

9. Operating Lease

The School leases three portable classrooms at \$2,760 a month on a month-to-month basis. It also had an operating lease for one portable classroom on a month-to-month basis of \$620 a month, which increased to \$905, effective March 2020. Lease expense for all of the portable classrooms was \$39,073 for the year ended June 30, 2020.

10. Interfund Transfers

Transfers are used to move revenues from the fund with collection authorization to the General Fund to finance program expenditures with budgeting authorization.

11. Related Party Transactions

At June 30, 2020, the School had a receivable of \$3,889 from Reading Edge Academy related to a refund for workers' compensation insurance. Receipt of these funds is anticipated during the next school year.

12. Concentrations

Revenue Sources – The School receives a substantial amount of its funding from the District School Board of Volusia County. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School's program and activities.

13. Subsequent Events

Management has evaluated events and transactions for potential recognition or disclosure through September 25, 2020, the date on which the financial statements were available to be issued.

In March 2020, the United States of America experienced a nationwide crisis due to the pandemic caused by the coronavirus. It is unknown how long this pandemic will last or how it might impact the School. It is possible the School's F/Y 20/21 various revenues and expenditures will be adversely affected. The School will amend its F/Y 20/21 budget accordingly once the potential impacts to the School's revenues and expenditures are known.

SAMSULA ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND

for the year ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts | Positive (Negative) Variance |
|---------------------------------------------------------------------------|--------------------------|--|-------------------|------------------------------------|
| | Original and Final | | Actual Amounts | Positive (Negative) Variance |
| General Fund | | | | |
| Program Revenues: | | | | |
| Charges for services | \$ 211,900 | | \$ 156,352 | \$ (55,548) |
| General Revenues: | | | | |
| State sources | 1,605,952 | | 1,490,292 | (115,660) |
| Local sources | 167,685 | | 128,814 | (38,871) |
| Total revenues | 1,985,537 | | 1,775,458 | (210,079) |
| Expenditures: | | | | |
| Instruction - basic | 1,059,358 | | 943,401 | 115,957 |
| Instruction - exceptional | 166,737 | | 193,619 | (26,882) |
| General administration | 29,448 | | 26,377 | 3,071 |
| School administration | 227,050 | | 311,612 | (84,562) |
| Fiscal services | 59,739 | | 65,243 | (5,504) |
| Food services | 95,367 | | 82,352 | 13,015 |
| Operation of plant | 241,700 | | 211,157 | 30,543 |
| Other programs and services | 91,800 | | 73,510 | 18,290 |
| Total expenditures | 1,971,199 | | 1,907,271 | 63,928 |
| Excess of revenues over (under) expenditures | 14,338 | | (131,813) | (146,151) |
| Other funding sources: | | | | |
| Transfers in | - | | 105,051 | 105,051 |
| Total other funding sources | - | | 105,051 | 105,051 |
| Excess of revenues and other funding sources over (under) expenditures | 14,338 | | (26,762) | (41,100) |
| Fund balance at beginning of year | 392,733 | | 392,733 | - |
| Fund balance at end of year | \$ 407,071 | | \$ 365,971 | \$ (41,100) |

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

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

To the Governing Board of
Samsula Academy

We have audited, 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, the financial statements of the governmental activities and each major fund of Samsula Academy (the School), a component unit of the District School Board of Volusia County, Florida, as of and for the year ended June 30, 2020, 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 25, 2020.

Internal Control Over Financial Reporting

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

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

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

Purpose of this Report

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



Orlando, Florida
September 25, 2020

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DAVID S. HOLLAND, CPA
THOMAS F. REILLY, CPA

To the Governing Board of
Samsula Academy

We have audited the financial statements of Samsula Academy (the School) as of and for the year ended June 30, 2020 and have issued our report thereon dated September 25, 2020.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated September 25, 2020, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

The official title and school code of the entity assigned by the Florida Department of Education are Samsula Academy and 7951.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls:

- 1) Any recommendations to improve financial management.
- 2) 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 which warrant the attention of those charged with governance.
- 3) For matters that do not warrant the attention of those charged with governance, the following may be reported based on professional judgment:
 - a) Noncompliance with provisions of contracts or grant agreements, fraud or abuse,
 - b) Deficiencies in internal control that are not material weaknesses or significant deficiencies.

There were several matters that came to the auditors' attention that, in our judgment, are required to be reported. See Comment 2020-1, 2020-2, 2020-3, and 2020-4 on page 19.

Based on our audit procedures performed, the School did not meet any of the conditions described in Florida Statutes Section 218.503(1).

The auditors applied financial condition assessment procedures. It is management's responsibility to monitor the School'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 determined the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Comment 2020-1 on page 19 has been repeated in the prior four audit reports.

This management letter is intended solely for the information of the Governing Board and management of Samsula Academy, the Volusia County School Board, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Orlando, Florida
September 25, 2020



AUDITORS' COMMENTS – CURRENT YEAR

Other Comment

2020-1 Ensure Proper Coding of Activity in the General Ledger Accounts

Again, we noted a number of errors or inconsistencies in the coding of transactions in the general ledger accounts. These errors impact the comparability of accounts from year to year. They also cause extra audit effort to ensure the accounts are properly stated. This is a repeat comment.

We also noted some reference numbers that were not properly recorded in the general ledger. These may result in over payments of invoices or improper payments.

We recommend greater effort be made to code the activity into the proper general ledger account, recording proper reference numbers, as well as providing adequate descriptions of each entry in the general ledger. In addition, we recommend a monthly review of the general ledger activity to determine if the postings were recorded in the proper accounts.

We noted some improvement regarding account distribution being documented on each invoice or other supporting documentation. This better enables anyone to ascertain the proper accounts are being coded, and to facilitate their traceability.

2020-2 Properly Record Payroll and Payroll Taxes in the General Ledger

While reconciling payroll expense and related payroll tax expense to the payroll tax returns and other payroll records, it was noted that payroll expense was understated and payroll tax expense was overstated. Upon examination of the general ledger, and utilizing payroll registers for the full year, it was noted that postings to payroll and payroll taxes general ledger accounts were improperly posted for six pay dates in four months of the year. It took a great deal of time and effort to determine that these entries had been recorded incorrectly.

Payroll and payroll taxes account for a very large portion of total expenses, and proper classification is important in reconciling amounts to payroll tax returns and to reflect the activity properly in the general ledger and financial statements.

We recommend greater care be taken when recording payroll entries based on the payroll registers for the School.

2020-3 File and Maintain Invoices and/or Disbursement Documentation

After disbursements are made, the related vendor invoices and/or disbursement documentation should be properly filed and maintained in the respective vendor's invoice file. When this doesn't occur, it makes it more difficult to locate substantiation for disbursements made during the year. We recommend vendor invoices and related documentation be filed and maintained as soon as possible after the related disbursement is made.

2020-4 Review Reports and Schedules for Completeness and Accuracy

Complete and accurate schedules and reports are essential to meaningful financial information. It came to our attention that reports originally presented for accrued compensated absences included duplicated names, and subsequent reports provided to us also included improper information, such as available accrued hours. We recommend that reports and schedules be reviewed for completeness and accuracy in order to provide proper financial information.

STATUS OF PRIOR YEAR COMMENTS

2019-1 Ensure Proper Coding of Activity in the General Ledger Accounts

We continue to note errors and inconsistencies in the coding of transactions in the general ledger accounts. See current year Comment 2020-1.

2019-2 Remove Old Voided and Duplicate Checks from Bank Reconciliations

We noted there were no very old or duplicate checks on bank reconciliations this year.

2018-2 Ensure the Audit Report is Posted on the School's Website

The prior year's audit report was properly posted on the School's website this year.



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Samsula Audit Responses

2020-1 As noted in the last paragraph of this comment, we are improving our documentation and coding of accounts. We will expand our efforts to code the activity into the proper account, recording proper reference numbers, and providing better descriptions in the general ledger. We will do a monthly review of the general ledger activity to determine if postings were recorded in the proper accounts.

2020-2 In October of 2019, our external accountants changed bookkeepers. The new bookkeeper misinterpreted the template and transposed the salaries vs payroll tax expense for a few periods. The template has been updated and general ledger codes are listed to ensure that the adjustment gets properly recorded in the future. Additionally, as part of the monthly review of the general ledger, they will review the payroll accounts.

2020-3 We maintain duplicate files; one set is digital in QuickBooks and the other is the originals. We try to scan all invoices into our QuickBooks program and attach them to the transaction posting. We also file the invoices in vendor invoice files. While we strive to keep both systems 100% accurate, there were instances where the invoices were only filed in one location. Going forward, we will file and maintain both systems with more diligence.

2020-4 The payroll processing vendor is capable of producing many different reports. We will work with our payroll processor to ensure that we are able to print the correct reports.



Margaret Comardo, Principal