

Somerset Academy Virtual Middle High School  
**WL# 6016**  
(A charter school under Somerset Virtual Academy, Inc.)

Miami, Florida

Financial Statements and  
Independent Auditors' Report

June 30, 2016

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Somerset Academy Virtual Middle High School  
(A charter school under Somerset Virtual Academy, Inc.)

W/L # 6016  
11100 NW 27<sup>th</sup> Street  
Miami, Florida 33172

2015-2016

BOARD OF DIRECTORS

Luis Fuste, Board Chair  
Roberto Blanch, Secretary  
Pablo Damonte, Director

SCHOOL ADMINISTRATION

Jorge Nunez, Principal



CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Somerset Academy Virtual Middle High School  
Miami, Florida

We have audited the accompanying financial statements of the governmental activities and each major fund of Somerset Academy Virtual Middle High School (the "School"), a charter school under Somerset Virtual Academy, Inc., as of, and for the year ended June 30, 2016, which collectively comprises the School's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Somerset Academy Virtual Middle High School at June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Somerset Academy Virtual Middle High School at June 30, 2016, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Somerset Virtual Academy, Inc. These financial statements do not purport to and do not present fairly the financial position of Somerset Virtual Academy, Inc. as of June 30, 2016 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Required Supplementary Information

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2016, 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* and should be considered in assessing the results of our audit.

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 24 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  
August 29, 2016

**Management's Discussion and Analysis**  
Somerset Academy Virtual Middle High School  
(A Charter school Under Somerset Virtual Academy, Inc.)  
June 30, 2016

The corporate officers of Somerset Academy Virtual Middle High School have prepared this narrative overview and analysis of the school's financial activities for the period ended June 30, 2016.

**Financial Highlights**

1. The net position of the School at June 30, 2016 was \$3,611
2. At year-end, the School had current assets on hand of \$3,611.
3. The School had a decrease in its net position of \$59,249, for the year ended June 30, 2016.
4. The unassigned fund balance at year end was \$3,611.

**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, 2016 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 - 23 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 \$3,611 at the close of the fiscal year. A summary of the School's net position as of June 30, 2016 and 2015 follows:

	2016	2015
Cash and cash equivalents	\$ 640	\$ 30,968
Due from affiliates	-	38,074
Prepaid expenses	-	1,468
Investments	2,971	-
<b>Total Assets</b>	<b>3,611</b>	<b>70,510</b>
<b>Deferred outflows of resources</b>	<b>-</b>	<b>-</b>
Accounts payable and accrued liabilities	-	7,650
<b>Total Liabilities</b>	<b>-</b>	<b>7,650</b>
<b>Deferred inflows of resources</b>	<b>-</b>	<b>-</b>
<b>Net Position:</b>		
Net investment in capital assets	-	-
Unrestricted	3,611	62,860
<b>Total Net Position</b>	<b>\$ 3,611</b>	<b>\$ 62,860</b>

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

A summary and analysis of the School's revenues and expenses for the years ended June 30, 2016 and 2015 follows:

	<u>2016</u>	<u>2015</u>
<b>REVENUES</b>		
General Revenues		
Local Sources(FTE non specific)	\$ 120,276	\$ 50,111
Other Revenues	30	35,000
<b>Total Revenues</b>	<u>\$ 120,306</u>	<u>\$ 85,111</u>
<b>EXPENSES</b>		
Component Unit Activities:		
Instruction	\$ 157,716	\$ -
Board	7,116	255
School administration	-	15,746
Facilities acquisition	-	2,550
Fiscal services	2,651	-
Central services	7,406	2,550
Operation of plant	4,666	1,150
<b>Total Expenses</b>	<u>179,555</u>	<u>22,251</u>
Increase in Net Position	(59,249)	62,860
Net Position at Beginning of Year	62,860	-
Net Position at End of Year	<u>\$ 3,611</u>	<u>\$ 62,860</u>

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

The School has a physical location at 11100 NW 27<sup>th</sup> Street, Miami, Florida 33172

### **School Enrollment**

This past year, the School had approximately 19 students enrolled in grades six through twelfth.

### **Accomplishments**

In 2016, Somerset Virtual Academy successfully completed its second year of operations serving 25 students across grades 6-12.

Somerset Virtual Academy offers a full-time high quality online program for students seeking a flexible learning environment. Somerset Virtual embodies the delicate balance of providing students with the content knowledge necessary to compete in an increasingly competitive global economy, with an overall educational experience that promotes a sense of responsibility, dedication, and empowerment.

The school offers various clubs and activities to keep students connected in their online school community:



### **Accomplishments (continued)**

The Social Media Club where students can exchange knowledge with peers as it relates to various student interests to create an online school community. Members post regularly on high interest topics such as sports, fashion, travel, music, movies & TV, and books. This will allow students to find a topic they relate to and participate in the online community.

The Newspaper Club is also designed to students the opportunity to publish a formal Newspaper covering global breaking news, interesting articles, entertainment, a college corner, sports, fashion, alumni spotlight, comics, etc.

As a member of the Somerset Academy network of high quality charter schools, Somerset Virtual Academy is accredited by AdvancED under the Southern Association of Colleges and Schools Council on Accreditation and School Improvement (SACS-CASI) division.

### **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 \$3,611. The fund balance unassigned and available for spending at the School's discretion is \$3,611. These funds will be available for the School's future ongoing operations.

#### **Capital Assets**

The School did not have investments in capital assets as of June 30, 2016 and 2015.

## 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	\$ -	\$ -	\$ -
General Revenues			
FTE nonspecific revenues	143,400	120,000	120,276
Charges and other revenues	30,000	-	30
Total Revenues	<u>\$ 173,400</u>	<u>\$ 120,000</u>	<u>\$ 120,306</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	139,900	156,500	157,716
Board	8,000	8,000	7,116
School administration	-	-	-
Fiscal services	4,000	3,000	2,651
Central services	7,950	7,900	7,406
Operation of plant	4,000	5,000	4,666
Total Current Expenditures	<u>\$ 163,850</u>	<u>\$ 180,400</u>	<u>\$ 179,555</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 Academy Virtual Middle High School  
(A charter school under Somerset Virtual Academy, Inc.)

Statement of Net Position  
June 30, 2016

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	Governmental Activities
<b><u>Assets</u></b>	
Current assets:	
Cash and cash equivalents	\$ 640
Investments	2,971
Total Assets	<u>3,611</u>
<b><u>Deferred Outflows of Resources</u></b>	<u>-</u>
<b><u>Liabilities</u></b>	<u>-</u>
<b><u>Deferred Inflows of Resources</u></b>	<u>-</u>
<b><u>Net Position</u></b>	
Net investment in capital assets	-
Unrestricted	3,611
Total Net Position	<u>\$ 3,611</u>

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

Somerset Academy Virtual Middle High School  
(A charter school under Somerset Virtual Academy, Inc.)

Statement of Activities

For the year ended June 30, 2016

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental activities:</b>					
Instruction	\$ 157,716	\$ -	\$ -	\$ -	\$ (157,716)
Board	7,116	-	-	-	(7,116)
Fiscal services	2,651	-	-	-	(2,651)
Central services	7,406	-	-	-	(7,406)
Operation of plant	4,666	-	-	-	(4,666)
<b>Total governmental activities</b>	<b>179,555</b>		-	-	<b>(179,555)</b>
General revenues:					
FTE nonspecific revenues					120,276
Interest and other revenue					30
Change in net position					(59,249)
Net position , beginning					62,860
Net position, ending					<b>\$ 3,611</b>

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

Somerset Academy Virtual Middle High School  
(A charter school under Somerset Virtual Academy, Inc.)

Balance Sheet - Governmental Funds  
June 30, 2016

	General Fund	Total Governmental Funds
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 640	\$ 640
Investments	2,971	2,971
Total Assets	3,611	3,611
<b><u>Deferred Outflows of Resources</u></b>	-	-
<b><u>Liabilities</u></b>	-	-
<b><u>Deferred Inflows of Resources</u></b>	-	-
<b><u>Fund balance</u></b>		
Nonspendable, not in spendable form	-	-
Unassigned	3,611	3,611
	3,611	3,611
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 3,611	\$ 3,611

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

Somerset Academy Virtual Middle High School  
(A charter school under Somerset Virtual Academy, Inc.)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position  
For the year ended June 30, 2016

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Total Fund Balance - Governmental Funds	\$	3,611
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Amounts reported for governmental activities in the statement of net position are different because:

There are no reconciling items.	-
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Total Net Position - Governmental Activities	\$	3,611
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The accompanying notes are an integral  
part of this financial statement.

Somerset Academy Virtual Middle High School  
(A charter school under Somerset Virtual Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds  
For the year ended June 30, 2016

	General Fund	Total Governmental Funds
Revenues:		
State passed through local	\$ 120,276	\$ 120,276
Charges and other revenue	30	30
Total Revenues	120,306	120,306
Expenditures:		
Current		
Instruction	157,716	157,716
Board	7,116	7,116
Fiscal services	2,651	2,651
Central services	7,406	7,406
Operation of plant	4,666	4,666
Total Expenditures	179,555	179,555
Excess (deficit) of revenues over expenditures	(59,249)	(59,249)
Other financing sources (uses)		
Transfers in (out)	-	-
Net change in fund balance	(59,249)	(59,249)
Fund Balance at beginning of year	62,860	62,860
Fund Balance at end of year	\$ 3,611	\$ 3,611

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



Somerset Academy Virtual Middle High School  
(A charter school under Somerset Virtual 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, 2016

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Net Change in Fund Balance - Governmental Funds	\$ (59,249)
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Amounts reported for governmental activities in the statement of activities are different because:

There are no reconciling items.	-
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Change in Net Position of Governmental Activities	<hr/> \$ (59,249) <hr/>
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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 Academy Virtual Middle High School (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 Virtual 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 Virtual Academy, Inc., which is composed of three members. 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, 2019 and is renewable for an additional term pursuant to law and/or by a mutual written agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under the grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may terminate the charter if good cause is shown.

The School provides virtual educational services for students from sixth grade through twelfth grades. These financial statements are for the year ended June 30, 2016, when on average 19 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

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

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

*Fund Financial Statements*

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. Major individual governmental funds are reported as separate columns in the fund financial statements:

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

*Special Revenue Fund* - accounts for specific revenue, such as capital outlay funding and federal lunch program that are legally restricted to expenditures for particular purposes.

Measurement Focus and Basis of Accounting

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

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

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.

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

Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

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

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Cash, Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts.

The School has not adopted a formal investment policy; however the School invests excess deposit funds in a government money market mutual fund. The School has adopted GASB No. 72 Fair Value Measurement and Application (see Note 2).

Inter-fund Transfers

Outstanding balances between funds are reported as “due to/from” other funds. Inter-fund transfers are made to move any excess or shortage of funds derived from the National School Lunch Program from the Special Revenue Fund 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.

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

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to one day per month to up to ten days of active work during the ten-month period (a “benefit year”). In the event that available time is not used by the end of the benefit year, employees may “rollover” all unused days for use in future benefit years. 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.

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.

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

In addition, 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.

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

Net Position and Fund balance classifications

*Government-wide financial statements*

Equity is classified as net position and displayed in three (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 net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. There was no restricted net position at year end.
- c) Unrestricted net position - all other net position that does not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

*Fund financial statements*

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

- a) Nonspendable - includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
- b) Restricted - fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. There are no restricted funds 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.

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 restricted 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 Virtual 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.



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

### 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 August 29, 2016, which is the date the financial statements were available to be issued.

## **Note 2 – Cash, Cash Equivalents and Investments**

### Deposits

The School maintains its cash and cash equivalents in two financial institutions. As of June 30, 2016, the School's deposits consisted of cash balances of \$640.

Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. The School is a charter school under Somerset Virtual Academy, Inc., which also operates various other charter schools. All bank accounts are opened under the account ownership of Somerset Virtual Academy, Inc., therefore, bank balances at times may potentially be in excess of FDIC coverage. As of June 30, 2016, bank balances in potential excess of FDIC coverage was approximately \$640.

### Investments

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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, 2016, the School has the following recurring fair value measurements:

- Government money market mutual fund of \$100,000 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 1, 2016, the fund's annual report, maturities of the fund's portfolio holdings are approximately 83% within 30 days.

**Note 2 – Cash, Cash Equivalents and Investments (continued)**

Credit Risk

*Concentration of credit risk* is the risk of loss attributed to the magnitude of investments in a single issuer. The School manages its exposure to credit risk by limiting investments to highly rated government money market mutual funds. The fund is rated Aaa-mf by Moody's.

*Custodial credit risk* is the risk that in the event of a failure of a depository financial institution or counterparty that is in possession of investment or collateral securities, the School will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty to a transaction, the School will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. At June 30, 2016, 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 3 – 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 Virtual 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, 2016, the School incurred approximately \$7,951 in fees.

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

**Note 4 – Transactions with other Organizations**

Florida law requires the school to contract with a state authorized Virtual Instruction Provider. Effective July 1, 2014, the School entered into a Florida Virtual Instruction Provider Contract with Somerset Virtual Academy, (an entity which contracts with the same services and support provider, for a variety of educational products and services and administrative and technology services. This contract expires on June 30, 2018. During the year ended June 30, 2016, the School incurred approximately \$91,000 virtual fees.

**Note 5 – Commitments, Contingencies and Concentrations**

Contingencies and Concentrations

The School receives substantially all of its funding from the District under the Florida Education Finance Program (FEFP), which is based in part on a computation of the number of full-time equivalent (FTE) students attending different instructional programs. The accuracy of FTE student data submitted by individual schools and used in the FEFP computations is subject to audit by the state and, if found to be in error, could result in refunds to the state or in decreases to future funding allocations. Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of 5% of the qualifying revenues of the School. For the year ended June 30, 2016, administrative fees withheld by the School District totaled \$6,014.

**Note 6 – 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.

## REQUIRED SUPPLEMENTARY INFORMATION

Somerset Academy Virtual Middle High School  
(A charter school under Somerset Virtual Academy, Inc.)

Statement of Revenues, Expenditures, and Changes in Fund Balance  
For the year ended June 30, 2016

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 143,400	\$ 120,000	\$ 120,276
Charges and other revenue	30,000	-	30
Total Revenues	<u>173,400</u>	<u>120,000</u>	<u>120,306</u>
EXPENDITURES			
Current:			
Instruction	139,900	156,500	157,716
Board	8,000	8,000	7,116
Fiscal Services	4,000	3,000	2,651
Central Services	7,950	7,900	7,406
Operation of Plant	4,000	5,000	4,666
Total Current Expenditures	<u>163,850</u>	<u>180,400</u>	<u>179,555</u>
Excess of Revenues (Deficit)			
Over Current Expenditures	<u>9,550</u>	<u>(60,400)</u>	<u>(59,249)</u>
Total Expenditures	<u>163,850</u>	<u>180,400</u>	<u>179,555</u>
Excess of Revenues Over Expenditures	9,550	(60,400)	(59,249)
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	9,550	(60,400)	(59,249)
Fund Balance at beginning of year	<u>62,860</u>	<u>62,860</u>	<u>62,860</u>
Fund Balance at end of year	<u>\$ 72,410</u>	<u>\$ 2,460</u>	<u>\$ 3,611</u>

Notes to Budgetary Comparison Schedule

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

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

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To the Board of Directors of  
Somerset Academy Virtual Middle High School  
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Somerset Academy Virtual Middle High School (the "School") as of, and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 29, 2016.

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 of 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 report dated August 29, 2016 of Somerset Academy Virtual Middle High School 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  
August 29, 2016



MANAGEMENT LETTER

To the Board of Directors of  
Somerset Academy Virtual Middle High School  
Miami, Florida

**Report on the Financial Statements**

We have audited the financial statements of the governmental activities and each major fund of Somerset Academy Virtual Middle High School as of and for the year ended June 30, 2016 and have issued our report thereon dated August 29, 2016.

**Auditor's Responsibility**

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; 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*. Disclosure in those reports, which are dated August 29, 2016, 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 finding or recommendations in the preceding financial audit report.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Somerset Academy Virtual Middle High School.

**Financial Condition**

Sections 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 Academy Virtual Middle High School 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 Academy Virtual Middle High School 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 Academy Virtual Middle High School. It is management's responsibility to monitor Somerset Academy Virtual Middle High 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 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 Academy Virtual Middle High School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Somerset Academy Virtual Middle High School 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  
August 29, 2016