

The Downtown Miami Charter School, Inc.
(A Component Unit of the School Board
of Miami-Dade County, Florida)

Basic Financial Statements
For the Year Ended June 30, 2018

The Downtown Miami Charter School, Inc.

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The Downtown Miami Charter School, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2018, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund 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 the management's discussion and analysis on pages 4 through 7 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 4, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade, Florida (the "School Board"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2018 and 2017.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the past and current position of the School's financial condition. This summary should not be taken as a replacement for the audit which consists of the basic financial statements.

Financial Highlights

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2018, the School's fund balances were \$ 801,298, as compared to \$ 815,738 as of June 30, 2017.
- As of June 30, 2018, the School had net position of \$ 1,238,487, as compared to \$ 1,166,648 as of June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

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, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and services rendered but unpaid).

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund Financial Statements: 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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The General Fund, Special Revenue Fund and Capital Project Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10 through 15 of this report.

Agency Fund: In addition, the School has one Agency Fund which is a student activity fund. This fund is formed for educational and school purposes.

The Agency Fund financial statement can be found on page 16 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 24 of this report.

Government-Wide Financial Analysis

This School has been in operation for sixteen years; therefore, comparative government-wide data is presented. The School's net position was \$ 1,238,487 at June 30, 2018. Of this amount, \$ 781,382 represented unrestricted net position and \$ 457,105 represented net investment in capital assets. The School's net position was \$ 1,166,648 at June 30, 2017. Of this amount, \$ 787,192 represented unrestricted net position and \$ 379,456 represented net investment in capital assets.

**The Downtown Miami Charter School, Inc.
Management's Discussion and Analysis
June 30, 2018**

Our analysis in the table below focuses on the net position of the School's governmental activities:

The Downtown Miami Charter School, Inc. Net Position		
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Assets:		
Current and other assets	\$ 1,094,403	\$ 1,470,089
Capital assets, net of depreciation	<u>457,105</u>	<u>379,456</u>
Total assets	<u>1,551,508</u>	<u>1,849,545</u>
Liabilities:		
Current liabilities	308,042	675,761
Noncurrent liabilities	<u>4,979</u>	<u>7,136</u>
Total liabilities	<u>313,021</u>	<u>682,897</u>
Net Position:		
Net investment in capital assets	457,105	379,456
Unrestricted	<u>781,382</u>	<u>787,192</u>
Total net position	<u>\$ 1,238,487</u>	<u>\$ 1,166,648</u>

The decrease in current assets is due to a decrease in cash. The increase in capital assets, net of depreciation is due to the purchase of approximately \$ 240,000 capital assets less the current year depreciation expense of \$ 161,777. Current liabilities decreased as a result of a decrease in due to management company. Noncurrent liabilities were in line with the previous year.

Governmental Activities: The results of the year's operations for the School as a whole are reported in the statement of activities on page 9. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2018 and 2017:

The Downtown Miami Charter School, Inc. Change in Net Position		
	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Revenues:		
General revenues	\$ 4,575,163	\$ 4,605,564
Program revenues	<u>1,371,503</u>	<u>1,388,677</u>
Total revenues	<u>5,946,666</u>	<u>5,994,241</u>
Functions/Program Expenses:		
Instruction	2,647,302	2,600,832
Instructional support services	2,202,223	2,143,127
Operation of non-instructional services	<u>1,025,302</u>	<u>1,125,274</u>
Total governmental activities	<u>5,874,827</u>	<u>5,869,233</u>
Change in net position	<u>\$ 71,839</u>	<u>\$ 125,008</u>

**The Downtown Miami Charter School, Inc.
Management's Discussion and Analysis
June 30, 2018**

Total revenues were in line with the previous year due to consistent enrollment. There was a decrease in operation of non-instructional services due to less paid for cost reimbursements and management fees, but overall total expenses were consistent with the previous year.

Governmental Fund Expenditures

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

Functions/Programs	2018		2017	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 2,535,565	43%	\$ 2,474,219	43%
Plant operations and maintenance	1,277,344	21%	1,231,460	21%
School administration	412,242	7%	432,990	7%
Fiscal services	483,961	8%	670,375	11%
Pupil personnel services	343,875	6%	328,615	6%
All other functions/programs	908,119	15%	698,277	12%
Total governmental expenditures	\$ 5,961,106	100%	\$ 5,835,936	100%

Capital Assets

At June 30, 2018, the School had capital assets of \$ 457,105, net of accumulated depreciation, invested in improvements other than buildings, furniture, fixtures and equipment and computer equipment, as compared to \$ 379,456 at June 30, 2017.

General Fund Budgetary Highlights

Enrollment was within five students of the budget resulting in revenues consistent with the budget. Total expenses were approximately \$ 177,500 favorable to budget due to savings in instruction expenses. The savings is mainly a result of personnel expenses covered by grant funds. Overall the School ended the year with a change in fund balance favorable to the budget by approximately \$ 181,000.

Economic Factors and Next Year's Budget

In fiscal year 2018, the State of Florida increased its Florida Education Finance Program funding by approximately 1%. The capital outlay funding pool initially decreased from \$ 75 million to \$ 50 million, however it was later revised to \$ 91 million as a consequence of House Bill 7069. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2019, capital outlay revenue was assumed at \$ 567.45 per student which includes the additional funds associated with House Bill 7055. The budgets reflect the Florida Education Finance Program funding increase of approximately 1%. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resource officers. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

Requests for Information

If you have any questions about this report or need additional information, please write Hillary Daigle, Vice President of Finance; Charter Schools USA; 800 Corporate Drive, Suite 700; Ft. Lauderdale, Florida 33334.

BASIC FINANCIAL STATEMENTS

The Downtown Miami Charter School, Inc.
Statement of Net Position
June 30, 2018

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 826,910
Other receivables	26,316
Due from other governments	104,767
Due from management company	66,025
Prepaid items	14,019
Deposits	<u>56,366</u>
Total current assets	1,094,403
Noncurrent Assets:	
Capital assets (depreciable), net of accumulated depreciation	<u>457,105</u>
Total assets	<u>1,551,508</u>
Current Liabilities:	
Accounts payable	27,872
Salaries and wages payable	262,908
Due to other governments	885
Due to Agency Fund	1,440
Compensated absences	<u>14,937</u>
Total current liabilities	<u>308,042</u>
Noncurrent Liabilities:	
Compensated absences	<u>4,979</u>
Total noncurrent liabilities	<u>4,979</u>
Total liabilities	<u>313,021</u>
Commitments (Note 7)	-
Net Position:	
Net investment in capital assets	457,105
Unrestricted	<u>781,382</u>
Total net position	<u>\$ 1,238,487</u>

The accompanying notes to basic financial statements are an integral part of these statements

The Downtown Miami Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities</u>
					<u>Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 2,647,302	\$ -	\$ 436,801	\$ -	\$ (2,210,501)
Pupil personnel services	343,875	-	107,090	-	(236,785)
Instruction and curriculum development services	8,547	-	-	-	(8,547)
Instructional staff training services	28,125	-	10,604	-	(17,521)
Instruction related technology	90,680	-	-	-	(90,680)
School Board	14,329	-	-	-	(14,329)
School administration	412,242	-	971	-	(411,271)
Fiscal services	483,961	-	-	-	(483,961)
Food services	334,606	-	333,775	-	(831)
Central services	94,347	-	7,271	-	(87,076)
Operation of plant	1,200,139	-	26,809	295,958	(877,372)
Maintenance of plant	118,615	-	-	-	(118,615)
Community services	98,059	116,988	35,236	-	54,165
Total governmental activities	\$ <u>5,874,827</u>	\$ <u>116,988</u>	\$ <u>958,557</u>	\$ <u>295,958</u>	<u>(4,503,324)</u>
General revenues:					
Grants and entitlements					4,575,028
Other income					135
					<u>4,575,163</u>
					71,839
					<u>1,166,648</u>
					\$ <u>1,238,487</u>

The accompanying notes to basic financial statements are an integral part of these statements

The Downtown Miami Charter School, Inc.
Balance Sheet - Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 826,910	\$ -	\$ -	\$ 826,910
Other receivables	26,316	-	-	26,316
Due from management company	66,025	-	-	66,025
Due from other governments	-	93,798	10,969	104,767
Due from other funds	104,767	-	-	104,767
Prepaid items	14,019	-	-	14,019
Deposits	56,366	-	-	56,366
	<u>1,094,403</u>	<u>93,798</u>	<u>10,969</u>	<u>1,199,170</u>
Total assets	\$ <u>1,094,403</u>	\$ <u>93,798</u>	\$ <u>10,969</u>	\$ <u>1,199,170</u>
Liabilities:				
Accounts payable	\$ 27,872	\$ -	\$ -	\$ 27,872
Salaries and wages payable	262,908	-	-	262,908
Due to other governments	885	-	-	885
Due to Agency Fund	1,440	-	-	1,440
Due to other funds	-	93,798	10,969	104,767
	<u>293,105</u>	<u>93,798</u>	<u>10,969</u>	<u>397,872</u>
Total liabilities	<u>293,105</u>	<u>93,798</u>	<u>10,969</u>	<u>397,872</u>
Commitments (Note 7)	-	-	-	-
Fund Balances:				
Nonspendable				
Prepaid items	14,019	-	-	14,019
Deposits	56,366	-	-	56,366
Committed for reserves	653,367	-	-	653,367
Assigned to subsequent year's budget	77,546	-	-	77,546
	<u>801,298</u>	<u>-</u>	<u>-</u>	<u>801,298</u>
Total fund balances	<u>801,298</u>	<u>-</u>	<u>-</u>	<u>801,298</u>
Total liabilities and fund balances	\$ <u>1,094,403</u>	\$ <u>93,798</u>	\$ <u>10,969</u>	\$ <u>1,199,170</u>

The accompanying notes to basic financial statements are an integral part of these statements

The Downtown Miami Charter School, Inc.
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds \$ 801,298

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Cost of capital assets	\$	1,534,585	
Less accumulated depreciation		<u>(1,077,480)</u>	457,105

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

Compensated absences			<u>(19,916)</u>
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Net Position of Governmental Activities \$ 1,238,487

The Downtown Miami Charter School, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:				
Federal through state	\$ -	\$ 893,515	\$ -	\$ 893,515
State sources	4,611,901	4,658	142,148	4,758,707
Local sources	23,646	-	153,810	177,456
Aftercare	116,988	-	-	116,988
	<u>4,752,535</u>	<u>898,173</u>	<u>295,958</u>	<u>5,946,666</u>
Total revenues				
Expenditures:				
Instruction	2,135,637	399,928	-	2,535,565
Pupil personnel services	236,785	107,090	-	343,875
Instruction and curriculum development services	8,547	-	-	8,547
Instructional staff training services	17,521	10,604	-	28,125
Instruction related technology	90,680	-	-	90,680
School Board	14,329	-	-	14,329
School administration	411,271	971	-	412,242
Facilities acquisition and construction	239,426	-	-	239,426
Fiscal services	483,961	-	-	483,961
Food services	831	333,775	-	334,606
Central services	87,076	7,271	-	94,347
Operation of plant	859,473	3,298	295,958	1,158,729
Maintenance of plant	118,615	-	-	118,615
Community services	62,823	35,236	-	98,059
	<u>4,766,975</u>	<u>898,173</u>	<u>295,958</u>	<u>5,961,106</u>
Total expenditures				
Net change in fund balances	(14,440)	-	-	(14,440)
Fund Balances, July 1, 2017	<u>815,738</u>	<u>-</u>	<u>-</u>	<u>815,738</u>
Fund Balances, June 30, 2018	<u>\$ 801,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 801,298</u>

The accompanying notes to basic financial statements are an integral part of these statements

**The Downtown Miami Charter School, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances
 of the Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2018**

Net change in Fund Balances - Governmental Funds \$ (14,440)

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

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are depreciated over their estimated useful lives as provision for depreciation.

Cost of capital assets	\$	239,426	
Provision for depreciation		<u>(161,777)</u>	77,649

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in compensated absences			<u>8,630</u>
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Change in Net Position of Governmental Activities \$ 71,839

**The Downtown Miami Charter School, Inc.
Statement of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 4,537,653	\$ 4,611,901	\$ 74,248
Local sources	100,502	23,646	(76,856)
Aftercare	110,983	116,988	6,005
	<u>4,749,138</u>	<u>4,752,535</u>	<u>3,397</u>
Expenditures:			
Instruction	2,321,165	2,135,637	185,528
Pupil personnel services	248,070	236,785	11,285
Instructional media services	3,540	-	3,540
Instruction and curriculum development services	10,500	8,547	1,953
Instructional staff training services	6,528	17,521	(10,993)
Instruction related technology	93,164	90,680	2,484
School Board	18,026	14,329	3,697
School administration	411,555	411,271	284
Facilities acquisition and construction	231,950	239,426	(7,476)
Fiscal services	487,046	483,961	3,085
Food services	-	831	(831)
Central services	38,838	87,076	(48,238)
Operation of plant	905,505	859,473	46,032
Maintenance of plant	117,588	118,615	(1,027)
Community services	50,970	62,823	(11,853)
	<u>4,944,445</u>	<u>4,766,975</u>	<u>177,470</u>
Total expenditures	<u>4,944,445</u>	<u>4,766,975</u>	<u>177,470</u>
Net change in fund balance	<u>\$ (195,307)</u>	<u>\$ (14,440)</u>	<u>\$ 180,867</u>

The accompanying notes to basic financial statements are an integral part of these statements

**The Downtown Miami Charter School, Inc.
Statement of Revenues and Expenditures -
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2018**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Federal sources:			
National School Lunch Program	\$ 359,345	\$ 366,046	\$ 6,701
21st Century	344,752	212,119	(132,633)
Title I	188,370	315,350	126,980
State sources:			
National School Lunch Program	16,821	4,658	(12,163)
Total revenues	<u>909,288</u>	<u>898,173</u>	<u>(11,115)</u>
Expenditures:			
Regular instruction	260,490	399,928	(139,438)
Pupil personnel services	204,190	107,090	97,100
Instruction and curriculum development services	20,309	-	20,309
Instructional staff training services	-	10,604	(10,604)
Central services	-	7,271	(7,271)
School administration	47,800	971	46,829
Food services	317,337	333,775	(16,438)
Operation of plant	18,819	3,298	15,521
Community services	40,343	35,236	5,107
Total expenditures	<u>909,288</u>	<u>898,173</u>	<u>11,115</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes to basic financial statements are an integral part of these statements

The Downtown Miami Charter School, Inc.
Statement of Assets and Liabilities - Agency Fund
June 30, 2018

	<u>Student Activities</u>
Assets:	
Cash and cash equivalents	\$ 55,192
Due From General Fund	<u>1,440</u>
Total assets	\$ <u><u>56,632</u></u>
 Liabilities:	
Due to students	\$ <u>56,632</u>
Total liabilities	\$ <u><u>56,632</u></u>

The accompanying notes to basic financial statements are an integral part of these statements

Note 1 - Organization and Operations

The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, was established in February 2002 as a public charter school to serve students from kindergarten to sixth grade in Miami-Dade County. The School is a Florida nonprofit corporation and the governing body of the School is the Organization's Board of Directors. There were 645 students enrolled for the 2017/2018 school year.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring school district, the Miami-Dade County Public School Board (the "School Board"). The current charter is effective until June 30, 2027. At the end of the term of the charter, the School shall complete a charter renewal application including documentation of the School's success and current academic program for the Sponsor. Pursuant to Section 228.056(10)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown. For financial reporting purposes, the Organization is considered a component unit of the Miami-Dade County School Board and is included in the School Board's comprehensive annual financial report.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable, which would require inclusion in the School's basic financial statements.

Basis of presentation: Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Note 2 - Summary of Significant Accounting Policies (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund – This fund is used to account for federal and state grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

Additionally, the School reports separately the following fiduciary fund type:

Agency Fund - This fund is used to administer funds raised and earned by the various clubs and activities that are part of the School.

Basis of accounting: Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and 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 current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

The Agency Fund has no measurement focus but utilizes the accrual basis of accounting for reporting.

Note 2 - Summary of Significant Accounting Policies (continued)

Cash and cash equivalents: The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents.

The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

Prepaid items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Due to and due from other funds: Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Revenue recognition: Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a pro-rata basis over a twelve-month period and is adjusted for changes in full-time equivalent (FTE) student population.

Income taxes: The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

Capital assets: Property and equipment purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated property and equipment are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all capital assets is provided on the straight-line basis over the estimated useful lives as follows:

Improvement other than buildings	3-10 years
Furniture, fixtures and equipment	3-10 years
Computer equipment	3 years

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) 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 financial 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(s) 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 2 - Summary of Significant Accounting Policies (continued)

Unearned revenue: Unearned revenue arises when the School receives resources before it has a legal claim to them.

Compensated absences: The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-based benefits, where applicable. Payments for compensated absences are generally paid out of the General Fund.

Net position: Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by any outstanding balances of borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - indicates that portion of net position that is available to fund future operations.

Fund balance: The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.

Note 2 - Summary of Significant Accounting Policies (continued)

- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Fund Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

Use of estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budget: An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

Date of Management Review: The School has evaluated subsequent events through September 4, 2018, which is the date that the financial statements were available to be issued.

Note 3 - Deposits

At June 30, 2018, the carrying amount of the deposits and cash on hand totaled \$ 882,102 with a bank balance of \$ 894,486.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution 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 depositor to the Treasurer is defined by the Statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2018.

The Downtown Miami Charter School, Inc.
Notes to Basic Financial Statements
June 30, 2018

Note 4 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2018 are as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital assets, being depreciated:				
Improvements other than buildings	\$ 380,817	\$ 76,369	\$ -	\$ 457,186
Furniture, fixtures and equipment	279,537	66,446	-	345,983
Computer equipment	<u>634,805</u>	<u>96,611</u>	<u>-</u>	<u>731,416</u>
Total capital assets, depreciable	<u>1,295,159</u>	<u>239,426</u>	<u>-</u>	<u>1,534,585</u>
Less accumulated depreciation for:				
Improvements other than buildings	183,299	41,410	-	224,709
Furniture, fixtures and equipment	228,810	29,918	-	258,728
Computer equipment	<u>503,594</u>	<u>90,449</u>	<u>-</u>	<u>594,043</u>
Total accumulated depreciation	<u>915,703</u>	<u>161,777</u>	<u>-</u>	<u>1,077,480</u>
Net capital assets, being depreciated, net	<u>\$ 379,456</u>	<u>\$ 77,649</u>	<u>\$ -</u>	<u>\$ 457,105</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 120,367
Operation of plant	<u>41,410</u>
Total	<u>\$ 161,777</u>

Note 5 - Leases

Lease agreement with the Downtown Development Authority of Miami: On April 22, 2002, the School entered into a lease agreement (the "Lease") with the Downtown Development Authority of Miami ("DDA") for property ("Leased Land") to be used for the sole purpose of the operation and construction of a charter school; subject to a Ground Lease Agreement with the Developer for the construction of the charter school. DDA had previously obtained the land from the City of Miami through an interlocal agreement (the "Interlocal Agreement") pursuant to Resolution No. 02-382 adopted on April 22, 2002. The Lease is subject to all provisions of the Interlocal Agreement and to the extent the Lease and the Interlocal Agreement conflicts, the terms of the Interlocal Agreement will govern. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$ 1.00 per year as long as the land is used for charter school purpose.

Ground lease agreement Downtown Miami Charter School: On April 22, 2002, the School entered into a lease agreement (the "Ground Lease") with DDA Charter School Developers, Inc. ("CSD") for the Leased Land mentioned in the Lease above. The Ground Lease was entered into with the understanding and agreement that CSD, at its sole cost and expense, would construct and equip the School on the Leased Land and rent the facilities back to the School. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$ 12 per year. Pursuant to the terms of the Interlocal Agreement, the School and the City authorize CSD as lessee under this Lease to pledge, mortgage or encumber its leasehold interest to a leasehold mortgagee in order to obtain financing for the construction of the charter school.

Note 5 - Leases (continued)

Premises lease agreement: On April 22, 2002, the School entered into a lease agreement (the “Premises Lease”) with CSD for the charter school premises. The term of the Premises Lease commences on July 1, 2002 and continues for thirty (30) years. The agreement specifies the lease payments for the first five years of the lease with an adjustment on the sixth year and every lease year thereafter during the term of the lease. The rental adjustment will be adjusted upwards or downwards on the sixth year and every year thereafter based on the percentage increase or decrease of the per student full-time equivalent (FTE) credit from the preceding year.

The School’s rent expenditures totaled \$ 781,447 for the fiscal year ended June 30, 2018.

Note 6 - Long-Term Liabilities

Changes in the School’s long-term liabilities for fiscal year ended June 30, 2018, are as follows:

	Balance at July 1, 2017	Increases	Decreases	Balance at June 30, 2018	Amount Due Within One Year
Compensated absences	\$ 28,546	\$ 6,039	\$ 14,669	\$ 19,916	\$ 14,937

Note 7 - Commitments

Management agreement: The School has a formal agreement with Charter Schools USA, Inc. (“CSUSA”) to manage, staff, and operate the School. The agreement expires on June 30, 2027 unless either party delivers a written notice of termination to the other at least twelve months prior to the expiration of the current term. CSUSA shall be entitled to retain as compensation for its services rendered pursuant to this agreement the difference, if any, between the amount of the School’s revenues and the amount of revenues actually expended by CSUSA in operation and/or management of the School during its fiscal year (the “Fee”). The amount of the Fee shall be determined by the following, if the School’s reserve is less than \$ 750,000 then the fee shall not exceed 11%, however the fee shall not be less than 8%. If the School’s reserve is more than \$ 750,000 the Fee shall be 11% of certain revenues with any additional funds split equally between the School and CSUSA; provided, however, the Fee does not exceed 15% of certain revenues for any school year. The School’s cost reimbursements and management fees were \$ 473,904 for the fiscal year ended June 30, 2018.

For the fiscal year ended June 30, 2018, the School has an amount due from the management company of \$ 66,025.

Post-retirement benefits: The School does not provide post-retirement benefits to retired employees.

Note 8 - Employee Benefit Plan

During the year ended June 30, 2018, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

<u>Years of Service</u>	<u>Vesting Percentage</u>
1	25%
2	50%
3	75%
4	100%

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2018, the School contributed a matching amount of \$ 13,674.

Note 9 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 142,148 for the 2017/2018 school year, which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay its portion of the lease expense on the facility.

Local Capital Improvement Revenue (LCIR) funds are also appropriated by the School Board for charter school capital outlay purposes, with funds being allocated among eligible charter schools in a similar manner to the CSCO award. The School's LCIR Award totaled \$ 153,810 for the 2017/2018 school year which has been recognized as revenue in the accompanying financial statements.

Note 10 - Risk Financing

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the past three years.

As disclosed in Note 7, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

OTHER INDEPENDENT
AUDITOR'S REPORTS

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

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 4, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 4, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

Report on Compliance for Each Major Federal Program

We have audited The Downtown Miami Charter School, Inc.'s (the "School") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 4, 2018

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
The Downtown Miami Charter School, Inc.
Miami, Florida

Report on the Financial Statements

We have audited the financial statements of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, and have issued our report thereon dated September 4, 2018.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 30, 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. The prior year findings have been corrected.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity be disclosed in this management letter. The official title of the entity is The Downtown Miami Charter School, Inc.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

The Downtown Miami Charter School, Inc.

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 the School. 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.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, 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 the Florida House of Representatives, the Florida Auditor General, 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 4, 2018

**The Downtown Miami Charter School, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

<u>Federal Agency/Federal Program</u>	<u>CFDA Number</u>	<u>Contract/ Grant Number</u>	<u>Expenditures</u>	<u>Transfers to Subrecipients</u>
Federal Agency Name				
Indirect Programs:				
U.S. Department of Agriculture -				
Passed through Florida Department of Agriculture -				
Child Nutrition Cluster:				
National School Lunch Program	10.555	-	\$ 276,163	-
School Breakfast Program	10.553	-	81,539	-
Summer Food Service Program For Children	10.559	-	8,344	-
Total Child Nutrition Cluster			<u>366,046</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>366,046</u>	<u>-</u>
Department of Education -				
Passed through Florida Department of Education -				
Title I Grants to Local Educational Agencies	84.010	-	315,350	-
Twenty-First Century Community Learning Centers	84.287	-	212,119	-
Total U.S. Department of Education			<u>527,469</u>	<u>-</u>
Total expenditures of Federal awards			<u>\$ 893,515</u>	<u>\$ -</u>

See notes to Schedule of Expenditures of Federal Awards.

The Downtown Miami Charter School, Inc.
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Downtown Miami Charter School, Inc. (the "School") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the School. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and state laws and other applicable regulations.

Note 4 - Indirect Cost Rate

As applicable, the School has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**The Downtown Miami Charter School, Inc.
 Schedule of Findings and Questioned Costs
 Federal Awards Program
 For the Year Ended June 30, 2018**

A. Summary of Auditors' Results

1. The auditor's report dated September 4, 2018 expresses an unmodified opinion on the financial statements of The Downtown Miami Charter School, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of The Downtown Miami Charter School, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major Federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major Federal programs for The Downtown Miami Charter School, Inc. expresses an unmodified opinion.
6. No audit findings relative to the major Federal programs for The Downtown Miami Charter School, Inc. are reported in Part C of this schedule.
7. The programs tested as major programs are as follows:

<u>Federal Award Program</u>	<u>CDFA Number</u>
U.S. Department of Agriculture - National School Lunch Program	10.555
School Breakfast Program	10.553
Summer Food Service Program For Children	10.559

8. The threshold for distinguishing Type A and Type B programs was \$ 750,000.
9. The Downtown Miami Charter School, Inc. was determined to be a low risk auditee.

B. Findings - Financial Statement Audit

No matters were reported.

C. Findings and Questioned Costs - Major Federal Program Audit

Finding number 2016-01 discussed in the summary schedule of prior audit findings is applicable under this section.

D. Other Issues

1. A separate management letter was not issued.
2. A schedule of prior audit findings is required because there were prior audit findings related to Federal programs.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance.

**The Downtown Miami Charter School, Inc.
 Summary Schedule of Prior Audit Findings
 For the Year Ended June 30, 2018**

U.S. Department of Agriculture

Passed through the Florida Department of Agriculture

Child Nutrition Cluster: School Breakfast Program, CFDA No. 10.553 and National School Lunch Program, CFDA No. 10.555

Reference Number	Finding - Significant Deficiency	Questioned Cost
2016-01	<p>Questioned eligibility of certain students receiving free meals</p> <p><i>Condition:</i></p> <p>During our prior audit of compliance and review of benefit issuance documents, it was noted that various students selected for testing had been approved to receive free meal benefits based on direct certification status (roster), but there was no evidence found to support that these students should be receiving benefits at this level. These students did have a household application on file that supported, reduced or denied benefits. In addition, there was one student selected for testing that had been approved for free meal benefits, but there was no application or other qualifying document on file to support the approval of benefits at this level.</p> <p><i>Recommendation:</i></p> <p>We recommended that the National School Lunch Program and School Breakfast Program develop internal control procedures to ensure that the student meal eligibility information is accurately reported from the household application to the student roster.</p> <p><i>Current Status:</i></p> <p>During the current year, the School corrected the condition described above and implemented the auditors' recommendations. This finding is no longer applicable.</p>	Unknown