

THE CHARTER SCHOOLS OF EXCELLENCE, INC.

#5026 DAVIE 2 CAMPUS

*A Charter School under The Charter Schools of  
Excellence, Inc. and a Component Unit of  
The School Board of Broward County, Florida*

BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

June 30, 2015

Charles A. Krblich, P.A.

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*Certified Public Accountants*

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# Charles A. Krblich, P.A.

*Certified Public Accountants*

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Charter Schools of Excellence, Inc.  
Fort Lauderdale, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus (the "School"), a charter school under The Charter Schools of Excellence, Inc. and a component unit of The School Board of Broward County, Florida, as of and for the year ended June 30, 2015, 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 and the major fund of The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus, as of June 30, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matters***

As described in Note A to the financial statements, in fiscal year 2015, the School adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

As described in Note A, the accompanying financial statements referred to above present only the financial position of The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus at June 30, 2015, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of The Charter Schools of Excellence, Inc.

***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 3 through 6 and required supplementary information on pages 27 through 31, as listed in the table of contents, 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2015, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Charter Schools of Excellence, Inc. #5026 Davie 2 Campus's internal control over financial reporting and compliance.



Fort Lauderdale, Florida  
October 26, 2015

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
a Component Unit of The School Board of Broward County, Florida*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus's management discussion and analysis presents an overview of the School's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the School's financial statements beginning on page 7.

### **FINANCIAL HIGHLIGHTS**

- The total net position decreased \$5.2 thousand before adjustment for prior year and GASB 68 compliance. Liabilities exceeded Assets (net position) by \$127 thousand; net position consists of an investment in capital assets of \$12.4 thousand and unrestricted net position deficit of \$139 thousand.
- General revenues accounted for \$190 thousand, or 97% of all revenues. Program specific revenues consisting of grants, contributions and charges for services accounted for \$6.5 thousand or 3% of revenues.
- On a *funds* basis, there was an excess of revenue over expenditures of \$11.8 thousand.

### **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 basic financial statements are comprised of three components: 1) government-wide (component unit) 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 assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the School, with the difference between the assets and deferred outflows of resources and liabilities and deferred inflows of resources 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 net position of the School changed during the most recent fiscal 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 cash flows*.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund Financial Statements.** A *fund* is a group 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. The School currently utilizes a General Fund.

**Governmental funds.** *Governmental funds* are used to account for essentially the same function 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 on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating government's near-term financing requirements.

Because the focus of governmental funds is narrower than the government-wide (component unit) 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 government'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 governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance provide detailed information about the School's most significant funds. The School operates one fund, a General Fund.

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

The basic governmental fund financial statements can be found on pages 9 through 12 of this report.

### Notes to the 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.

### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities exceeded assets by \$126 thousand at the close of the most recent fiscal year.

#### The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus's Net Position

	Component Unit Activities	
	2015	2014
Current and other assets	\$ 117,862	\$ 111,054
Capital assets, net	12,391	122,971
Total assets	130,253	234,025
Deferred outflows of resources	29,556	-
Other liabilities	2,206	108,650
Noncurrent liabilities	179,843	-
Total liabilities	182,049	108,650
Deferred inflows of resources	104,586	-
Net position:		
Net investment in capital assets	12,391	122,971
Unrestricted	(139,217)	2,404
Total net position	\$ (126,826)	\$ 125,375

The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus's Changes in Net Position

	Component Unit Activities		Increase (Decrease) From
	2015	2014	Fiscal 2014
Revenues			
Program revenues			
Charges for services	\$ -	\$ 27,894	\$ (27,894)
Operating grants and contributions	6,545	95,621	(89,076)
General revenues			
State sources	179,994	899,912	(719,918)
Other local revenues	9,746	56,295	(46,549)
Loss on sale of capital assets	-	166	(166)
Total revenues	<u>196,285</u>	<u>1,079,888</u>	<u>(883,603)</u>
Expenses			
Instructional	114,324	434,225	(319,901)
Pupil personnel services	-	7,563	(7,563)
Instruction and curriculum development	-	1,005	(1,005)
Instructional staff training services	-	3,221	(3,221)
General administration	11,255	89,199	(77,944)
School administration	25,350	69,570	(44,220)
Facilities acquisition and construction	11,073	57,809	(46,736)
Fiscal services	7,024	88,716	(81,692)
Food services	8,318	50,348	(42,030)
Central services	23,983	112,051	(88,068)
Pupil transportation services	-	44,100	(44,100)
Operation of plant	-	41,701	(41,701)
Maintenance of plant	125	15,082	(14,957)
Total expenses	<u>201,452</u>	<u>1,014,590</u>	<u>(813,138)</u>
Changes in net position	(5,167)	65,298	(70,465)
Net position – beginning, as originally stated	125,375	60,077	65,298
Prior period adjustment	(247,034)	-	(247,034)
Net position – beginning, as restated	<u>(121,659)</u>	<u>60,077</u>	<u>(181,736)</u>
Net position – ending	<u>\$ (126,826)</u>	<u>\$ 125,375</u>	<u>\$ (252,201)</u>

Prior year amounts are not restated for the effects of GASB 68.

- The largest dollar decrease in revenues was from a reduction in FEFP.
- The largest decreases in expenses were from instructional, fiscal services, general administration and central services.

### Financial Analysis of the School's Funds

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.

**General fund.** The General Fund is the chief operating fund of the School. At the end of the fiscal year, the General Fund has a surplus balance of \$116 thousand.

## General Fund Budgetary Highlights

- Total revenues were less than budgeted amounts by \$97 thousand. Local sources of revenues were over the amounts budgeted by \$9.7 thousand.
- Budgeted expenditures were exceeded primarily in instructional, general administration, and facilities acquisition and construction.

## Capital Asset Administration

Capital assets at June 30, 2015 and 2014 are outlined below:

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus's Capital Assets**  
(Net of depreciation)

	Component Unit Activities	
	2015	2014
Construction in progress, not being depreciated	\$ -	\$ 101,451
Leasehold improvements, net of depreciation	1,356	2,642
Furniture, fixtures and equipment, net of depreciation	<u>11,035</u>	<u>18,878</u>
Total capital assets, net of depreciation	<u>\$ 12,391</u>	<u>\$ 122,971</u>

Additional information on the School's capital assets can be found in Note B to the financial statements. (See page 19 of this report).

## Requests for Information

This financial report is designed to provide a general overview of The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, The Charter Schools of Excellence, Inc., 1217 Southeast 3<sup>rd</sup> Avenue, Fort Lauderdale, Florida 33316.



**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
 a Component Unit of The School Board of Broward County, Florida*  
**Statement of Net Position**  
 June 30, 2015

	<u><b>Governmental Activities</b></u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,490
Due from other agencies	115,372
Capital assets, net	<u>12,391</u>
<b>Total assets</b>	<u>130,253</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pension liability	<u>29,556</u>
<b>LIABILITIES</b>	
Accrued payroll, payroll taxes and withholdings	2,206
Noncurrent liabilities	
Due after one year	
Net pension liability	<u>179,843</u>
<b>Total liabilities</b>	<u>182,049</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension liability	<u>104,586</u>
<b>NET POSITION</b>	
Net investment in capital assets	12,391
Unrestricted	<u>(139,217)</u>
<b>Total net position</b>	<u>\$ (126,826)</u>

See accompanying notes to the basic financial statements.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
 a Component Unit of The School Board of Broward County, Florida*  
**Statement of Activities**

For the year ended June 30, 2015

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>PROGRAM EXPENSES AND REVENUES:</b>				
<b>COMPONENT UNIT ACTIVITIES:</b>				
Instructional	\$ 114,324	\$ -	\$ -	\$ (114,324)
Pupil personnel services	-	-	-	-
Instruction and curriculum development	-	-	-	-
Instructional staff training services	-	-	-	-
General administration	11,255	-	-	(11,255)
School administration	25,350	-	-	(25,350)
Facilities acquisition and construction	11,073	-	-	(4,528)
Fiscal services	7,024	-	-	(7,024)
Food services	8,318	-	-	(8,318)
Central services	23,983	-	-	(23,983)
Pupil transportation services	-	-	-	-
Operation of plant	-	-	-	-
Maintenance of plant	125	-	-	(125)
	<u>\$ 201,452</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(194,907)</u>
<b>GENERAL REVENUES:</b>				
State Sources - categorical programs and other				179,994
Other local sources				<u>9,746</u>
Total general revenues				<u>189,740</u>
<b>Change in net position</b>				<b>(5,167)</b>
<b>Total net position, beginning of year, as originally stated</b>				<b>125,375</b>
<b>Prior period adjustment</b>				<b>(247,034)</b>
<b>Total net position, beginning of year, as restated</b>				<b>(121,659)</b>
<b>Total net position, end of year</b>				<b>\$ (126,826)</b>

See accompanying notes to the basic financial statements.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
a Component Unit of The School Board of Broward County, Florida*  
**BALANCE SHEET - GOVERNMENTAL FUND**  
June 30, 2015

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,490
Due from other agencies	<u>115,372</u>
<b>Total assets</b>	<u><u>\$ 117,862</u></u>
 <b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accrued payroll, payroll taxes and withholdings	\$ <u>2,206</u>
<b>Total liabilities</b>	<u>2,206</u>
 <b>FUND BALANCE</b>	
Spendable - unassigned	<u>115,656</u>
<b>Total fund balance</b>	<u>115,656</u>
<b>Total liabilities and fund balance</b>	<u><u>\$ 117,862</u></u>

See accompanying notes to the basic financial statements.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
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**RECONCILIATION of the BALANCE SHEET - GOVERNMENTAL FUND**  
**to the STATEMENT OF NET POSITION**  
 June 30, 2015

<b>Total fund balance - governmental fund</b>	<b>\$</b>	<b>115,656</b>
<p>Amounts reported for governmental activities in the Statement  of Net Position are different because:</p>		
<p>Capital assets used in component unit activities are not financial resources  and are not reported in the fund. Total cost of assets is \$43,390 and the  accumulated depreciation is \$30,999.</p>		12,391
<p>Deferred outflows of resources related to pension liability</p>		29,556
<p>Noncurrent liabilities, including net pension liability, are not due and payable in  the current period and, therefore, are not reported in the fund.</p>		(179,843)
<p>Deferred inflows of resources related to pension liability</p>		<u>(104,586)</u>
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u>(126,826)</u></b>

See accompanying notes to the basic financial statements.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
a Component Unit of The School Board of Broward County, Florida*  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUND**

For the year ended June 30, 2015

	<u>General Fund</u>
<b>REVENUES:</b>	
<b>State sources</b>	
Categorical programs and other	\$ 179,994
Capital outlay funding	6,545
<b>Total state sources</b>	<u>186,539</u>
 <b>Local sources</b>	
Grants and other	9,746
<b>Total local sources</b>	<u>9,746</u>
<b>Total Revenues</b>	196,285
 <b>EXPENDITURES:</b>	
<b>Current</b>	
Instructional	105,485
Pupil personnel services	-
Instruction and curriculum development	-
Instructional staff training services	-
General administration	11,255
School administration	25,060
Facilities acquisition and construction	11,073
Fiscal services	7,024
Food services	8,318
Central services	16,144
Pupil transportation services	-
Operation of plant	-
Maintenance of plant	125
<b>Capital outlay</b>	-
<b>Total Expenditures</b>	<u>184,484</u>
<b>Excess of revenues over expenditures</b>	11,801
 <b>OTHER FINANCING SOURCES (USES)</b>	
Transfer of capital assets to Charter Schools of Excellence Davie 1	<u>101,451</u>
<b>Net change in fund balance</b>	113,252
<b>Fund Balance - Beginning of Year</b>	<u>2,404</u>
<b>Fund Balance - End of Year</b>	<u>\$ 115,656</u>

See accompanying notes to the basic financial statements.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
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**RECONCILIATION of the STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE - GOVERNMENTAL FUND  
 to the STATEMENT OF ACTIVITIES**  
 For the year ended June 30, 2015

**Net change in fund balance - governmental fund** \$ 113,252

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 capital outlays that benefit the School are posted as assets and are allocated over their estimated useful lives and reported as depreciation. Also, the disposition of capital assets (net book value) are deducted from the sale of fixed assets. This amount is the net by which depreciation (\$9,129) exceeded capital outlays. (9,129)

The transfer of capital assets to the School's sister campus are reported as other financing sources on the governmental funds but are not included in the statement of activities. (101,451)

Some expenses 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. (7,839)

**Change in net position - governmental activities** \$ (5,167)

See accompanying notes to the basic financial statements.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
a Component Unit of The School Board of Broward County, Florida*  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2015

**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus (the "School" or "Charter School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Based on guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – Audits of State and Local Governments and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Reporting Entity

The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus is a charter school under The Charter Schools of Excellence, Inc., a not-for-profit corporation, organized pursuant to Chapter 617, of the Florida Statutes, the Florida Not for Profit Corporation Act, and Section 228.056, of the Florida Statutes. The governing body of the School is the Board of Directors of The Charter Schools of Excellence, Inc., which governs various other charter schools. The charter provides that the day-to-day financial management and internal accounting procedures of the Charter School are under the purview of the management of the Charter School.

The general operating authority of the Charter School is contained in Section 228.056, of the Florida Statutes. The Charter School operates under a charter of the sponsoring school district, The School Board of Broward County, Florida (the "District"). The charter is effective for a period of five years commencing July 1, 2010 and ending June 30, 2015 and may be renewed for such duration as may be established by mutual written agreement between the School and the District. The charter has been renewed through June 30, 2020. At the end of the term of the charter, the District may choose not to renew the charter under 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 also terminate the charter if good cause is shown. The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus is considered a component unit of The School Board of Broward County, Florida.

Criteria for determining if other entities are potential component units which should be reported within the Charter School's financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Government Accounting and Financial Reporting Standards*. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Charter School.

Component Unit and Fund Financial Statements

The component unit financial statements (the Statement of Net Position and the Statement of Activities) report information on the activities of the component unit.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2015

NOTE A – CONTINUED

Component Unit and Fund Financial Statements – continued

identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds; in the case of the School, the General Fund represents the only such fund.

Measurement Focus, Basis of Accounting and Basis of Presentation

Component Unit Financial Statements:

The component unit financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. State source revenues, grants and similar items are recognized as revenues as soon as eligibility requirements imposed by the provider have been met.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated sources are reported as general revenues rather than as program revenues. Likewise, general revenues include State source revenues.

Fund Financial Statements:

Fund financial statements (Governmental) are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting, except for un-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds, and the proceeds of long-term debt are reported as other financing sources.

- The General Fund is the School's only operating fund. The General Fund accounts for all financial resources, except those required to be accounted for in another fund (currently no other such fund exists).



**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
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**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
June 30, 2015

NOTE A – CONTINUED

Investments

The School's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments, which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes.

Capital Assets

Capital assets, which include property, plant and equipment, are reported in the component unit financial statements. Property, plant, and equipment with initial individual costs that equal or exceed \$500 and estimated useful lives of over one year are recorded as capital assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation. Property, plant, and equipment are depreciated using the straight-line method over the following estimated lives:

Buildings and improvements	10 – 39 years
Computer equipment	5 years
School equipment	7 – 10 years
Leasehold improvements	5 – 15 years
Furniture and equipment	7 years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net 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 (expenses/expenditure) until then. The School's items that qualify for reporting in this category are related to participation in the pension plan.

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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School's items that qualify for reporting in this category are related to participation in the pension plan. See Note G.

Fund Balance

Governmental accounting standards require fund balance be divided into five classifications, and provide for a hierarchy of spending constraints for spendable resources and requires disclosure of non-spendable and spendable resources. Spendable resources are shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in the School's circumstances. The School has reported its remaining fund balance of \$115,656 as spendable-unassigned on its

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NOTE A – CONTINUED

Fund Balance – continued

Balance Sheet – Governmental Fund. The School applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are available.

Revenue Sources

Revenues for operations will be 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 FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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. In addition, the School receives an annual allocation of charter school capital outlay funds for leasing of school facilities.

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in the Florida Statutes. For the fiscal year ended June 30, 2015, the School reported 22.47 unweighted FTE and 25.32 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.035, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until completion of an FTE audit:

- Attendance and membership documentation
- Teacher certificates and other certification documentation
- Documentation for instructors teaching out-of-field
- Procedural safeguards for weighted programs
- Evaluation and planning documents for weighted programs

The School may receive federal or state awards for the enhancement of various education programs. This assistance is 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.

A schedule of revenue sources for the current year is presented in a subsequent note. See Note D.

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NOTE A – CONTINUED

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Compensated Absences

Full time employees of the School, after 90 days of employment, are entitled to be paid for ten or twelve days of sick leave in each calendar year, depending on whether they are ten or twelve month employees, respectively. In the event of termination, each qualifying employee is not entitled to receive payment for accumulated unused sick days.

Each full time twelve-month employee is entitled to annual paid vacation leave, which is accrued when earned. The amount of paid vacation time ranges from five days after one-year employment to fifteen days after ten years employment. In the event of termination, each qualifying employee is entitled to receive payment equal to one hundred percent of the value of the total accumulated unused vacation days.

Adoption of New Accounting Standard

The School implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, effective July 1, 2014. This Statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2014, was restated to reflect the cumulative effect of adopting the standards. See Note G.

Certain balances of deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2014, were not available and have not been reported in the financial statements.

Net position, June 30, 2014, as originally stated	\$	125,375
Adjustment to net position		<u>(247,034)</u>
Net position, June 30, 2014, as restated	\$	<u>(121,659)</u>

Long-Term Obligations

In the component unit financial statements, long-term debt and other long-term obligations are reported as noncurrent liabilities.

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Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through Board action or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The School has no such restrictions. The School's policy is to first apply restricted resources when an obligation is incurred for purposes for which both restricted and unrestricted net position are available.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management's knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results.

Due To/From Other Agencies

The Charter Schools of Excellence, Inc. operates eight charter schools and certain administrative and fiscal costs are shared by all of the campuses. In addition, the School shares facilities with The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus. The expenses are either specifically identified with a campus or allocated to the schools based upon the number of students enrolled at each campus. Transactions related to these allocations of costs and related repayments are accounted for in Due To/From Other Agencies.

Budgetary Data

Budgets are presented on 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). Budgets may be amended by resolution at any Board meeting prior to the date of the annual report.

Deposit Policy

It is the School's policy to maintain its cash and cash equivalents in major banks. The School has no policy requiring collateral to support its cash deposits although the School's deposits are covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000. At June 30, 2015, The Charter Schools of Excellence, Inc., as a whole, had no balances in excess of FDIC insured amounts. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial risk.

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NOTE A – CONTINUED

Date of Management Review

In preparing the financial statements, the School has evaluated events and transactions for potential recognition or disclosure through the date of this report. That date is the date the financial statements were available to be issued.

NOTE B – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2015 is as follows:

Description	Beginning Balance	Additions	Removals	Ending Balance
Capital assets, not being depreciated:				
Construction in progress	\$ 101,451	\$ -	\$ (101,451)	\$ -
Total capital assets, not being depreciated	101,451	-	(101,451)	-
Capital assets, being depreciated:				
Leasehold improvements	\$ 6,430	\$ -	\$ -	\$ 6,430
Furniture, fixtures and equipment	36,960	-	-	36,960
Total capital assets, being depreciated	43,390	-	-	43,390
Accumulated depreciation:				
Leasehold improvements	(3,788)	(1,286)	-	(5,074)
Furniture, fixtures and equipment	(18,082)	(7,843)	-	(25,925)
Total accumulated depreciation	(21,870)	(9,129)	-	(30,999)
Total capital assets, being depreciated, net	21,520	(9,129)	-	12,391
Total capital assets, net	\$ 122,971	\$ (9,129)	\$ (101,451)	\$ 12,391

The School shares facilities with The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus. In the prior year the Schools began a project to add classrooms and the initial payments were split between the two campuses. During the current year the decision was made to allocate all of the costs of this expansion to the Davie 1 Campus and the costs incurred in the prior year were transferred to Davie 1 Campus. Depreciation was charged to School functions as follows:

Component unit activities:	
Instructional	\$ 8,839
School Administration	<u>290</u>
Total depreciation expense	<u>\$ 9,129</u>

NOTE C – RELATED PARTY TRANSACTIONS

The CEO/Superintendent of the School is an officer of the Florida Consortium of Public Charter Schools. From time to time the School conducts business with the Consortium.

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**NOTE C – CONTINUED**

The School has entered into a lease for its administrative offices with a private foundation whose Board of Directors includes the Superintendent and three members of the School's Board of Directors. From time to time funds are loaned between the School and the foundation. See Note H.

The Charter Schools of Excellence, Inc. operates various other charter schools. All of the schools operated by The Charter Schools of Excellence, Inc. share administrative staff, as well as other operating expenses. In addition, the School shares facilities with The Charter School of Excellence, Inc. #5271 Davie 1 Campus. At June 30, 2015, the basic financial statements include an amount due from other campuses totaling \$115,372, representing short-term advances for such expenses as mentioned above.

**NOTE D – FEDERAL, STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of the School's Federal, State and Local revenues for the year ended June 30, 2015.

Sources	Amount
Federal:	
Title I	\$ 17,850
Total Federal Revenues	<u>\$ 17,850</u>
State:	
Florida Education Finance Program	\$ 103,583
Categorical Education Programs:	
Class Size Reduction	34,146
Supplementary Academic Instruction	4,003
Instructional Materials	1,619
Safe School	519
Transportation	361
ESE Guaranteed Allocation	3,418
Science Lab & Library Media	123
Discretionary Lottery	87
Digital classroom allocation	201
Capital Outlay	6,545
Florida School Recognition	13,800
Florida Teachers Lead Program	284
Total State Revenues	<u>\$ 168,689</u>
Local:	
Discretionary Local	\$ 9,746
Total Local Revenues	<u>\$ 9,746</u>
Total Federal, State and Local Revenues	<u>\$ 196,285</u>

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NOTE D – CONTINUED

As provided in the charter school contract, the District has charged the School an administrative fee equal to 5 percent of the total funding or \$7,890, which is reflected in fiscal services expense/expenditures in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balance-governmental fund.

NOTE E – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft 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 three (3) years, if any.

NOTE F – MAJOR CONTRACTS

The Board of Directors of The Charter Schools of Excellence, Inc. has entered into an employment contract with its Superintendent. The term of this agreement commenced April 16, 2008 and continues until April 15, 2023 or until employment is terminated. Under the terms of this contract, the Superintendent is entitled to severance pay if the contract is terminated without showing reasonable cause in the amount equal to all of the aggregate salary and benefits to which the Superintendent would have otherwise been entitled under the agreement, from the date of termination for the remaining term of the agreement, in a lump sum within thirty days after the date of termination. It is impractical to estimate the amount of compensation relating to a termination, and, accordingly, no liability has been recognized in the accompanying financial statements. It is the School's policy to recognize these costs of termination when and if actually paid.

NOTE G – RETIREMENT PLAN

General Information about the Pension Plan

*Plan Description.* The School participates in the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Program. The FRS is a cost-sharing, multiple-employer, defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes.

*Benefits Provided.* The FRS provides a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in the School. The HIS benefit is a monthly payment to assist retirees of the state-administered retirement system in paying their health insurance costs.

A DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may

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NOTE G – CONTINUED

participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest. The School had no DROP participants during fiscal 2015.

*Contributions.* The contribution rates for members are established, and may be amended, by the State of Florida. During the 2015 fiscal year, contribution rates were as follows:

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.0%	7.37%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 1.26% for the post-employment health insurance supplement and 0.04% for administrative costs of the Public Employee Optional Retirement Program.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

Employer contributions are recognized by the FRS in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the FRS. Employer contributions recognized by the FRS from the School were \$5,577 for the FRS and \$1,165 for the HIS for the year ended June 30, 2015.

At June 30, 2015, the School had \$457 payable to the Plan, included in accrued payroll, payroll taxes and withholdings. This payable results from statutorily required contributions on June payroll payable in July 2015.

*Defined Contribution Plan.* Effective July 1, 2002, the FRS Investment Plan was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer contributions that are based on salary and membership class (i.e., regular class, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no Investment Plan participants during fiscal 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the School reported a liability of \$179,843 for its proportionate share of net pension liability, consisting of \$58,266 for the FRS and \$121,577 for the HIS. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was calculated using accrued retirement contributions for employers that were members of the FRS and HIS during fiscal years 2013 and 2014. At June 30, 2013 and 2014, the School's proportions for FRS were 0.000981065 percent and 0.000954956 percent, respectively; the School's proportions for HIS were 0.001189029 percent and 0.001300259 percent, respectively.



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NOTE G – CONTINUED

For the year ended June 30, 2015, the School recognized a net pension expense after GASB 68 adjustments of \$14,770. Employer contributions in the allocated schedules for the defined benefit plans represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer. The year-to-year pension expense number is likely to be volatile. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<b>Florida Retirement System</b>		
Difference between expected and actual experience	\$ -	\$ 3,606
Changes of assumptions or other inputs	10,091	-
Net difference between projected and actual earnings on pension plan investments	-	97,198
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	3,782
Contributions subsequent to the measurement date	5,577	-
Total Florida Retirement System	15,668	104,586
<b>Health Insurance Subsidy Program</b>		
Difference between expected and actual experience	-	-
Changes of assumptions or other inputs	4,326	-
Net difference between projected and actual earnings on pension plan investments	58	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	8,339	-
Contributions subsequent to the measurement date	1,165	-
Total Health Insurance Subsidy Program	13,888	-
<b>Total</b>	<b>\$ 29,556</b>	<b>\$ 104,586</b>

Contributions of \$6,742, consisting of \$5,577 for the FRS and \$1,165 for the HIS, reported as deferred outflows of resources related to pension resulting from School contributions subsequent to the measurement date will be recognized as a reduction of the pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense for the years ended June 30, as follows:

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NOTE G – CONTINUED

	FRS	HIS
2016	\$ (23,790)	\$ 2,057
2017	(23,790)	2,057
2018	(23,790)	2,057
2019	(23,790)	2,057
2020	510	2,043
Thereafter	155	2,452
Totals	\$ (94,495)	\$ 12,723

*Actuarial Assumptions.* The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2014, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60 percent. Payroll growth for both plans is assumed at 3.25 percent. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65 percent. The plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS program uses a pay-as-you-go funding structure, a municipal bond rate of 4.29 percent was used to determine the total pension liability for the program. Mortality rates were based on the Generational RP-2000 with Projection scale BB tables.

The following changes in actuarial assumptions occurred in 2014:

- FRS: As of June 30, 2014, the inflation rate assumption was decreased from 3.00% to 2.60%, the real payroll growth assumption was decreased from 1.00% to 0.65%, and the overall payroll growth rate assumption was decreased from 4.00% to 3.25%. The long-term rate of return decreased from 7.75% to 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.65% to 4.29%

The actuarial assumptions for the FRS Pension Plan used in the July 1, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The FRS’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent analysis of the long-term expected rate of return, presented to the FRS Board in September 2014, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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NOTE G – CONTINUED

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	3.11%	3.10%	1.65%
Intermediate-Term Bonds	18.00%	4.18%	4.05%	5.15%
High Yield Bonds	3.00%	6.79%	6.25%	10.95%
Broad US Equities	26.50%	8.51%	6.95%	18.90%
Developed Foreign Equities	21.20%	8.66%	6.85%	20.40%
Emerging Market Equities	5.30%	11.58%	7.60%	31.15%
Private Equity	6.00%	11.80%	8.11%	30.00%
Hedge Funds/Absolute Return	7.00%	5.81%	5.35%	10.00%
Real Estate (Property)	12.00%	7.11%	6.35%	13.00%
Totals	<u>100.0%</u>			
Assumed Inflation – Mean		2.60%		2.00%

*Discount Rate.* The discount rate used to measure the total FRS pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law. Based on those assumptions, the FRS's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The FRS discount rate decreased from 7.75 percent to 7.65 percent.

The discount rate used to measure the total HIS pension liability was 4.29 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate equal to the municipal bond rate selected by the plan sponsor. The HIS discount rate decreased from 4.63 percent to 4.29 percent.

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.* The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00 percent higher or 1.00 percent lower than the current discount rate at June 30, 2014.

FRS Net Pension Liability:

	1 % Decrease (6.65%)	Current Discount Rate (7.65%)	1 % Increase (8.65%)
School's proportionate share of the net pension liability	<u>\$ 249,213</u>	<u>\$ 58,266</u>	<u>\$ (100,565)</u>

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NOTE G – CONTINUED

HIS Net Pension Liability:

	1 % Decrease (3.29%)	Current Discount Rate (4.29%)	1 % Increase (5.29%)
School's proportionate share of the net pension liability	\$ 138,284	\$ 121,577	\$ 107,632

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued comprehensive annual financial report (CAFR) of the Florida Retirement System Pension Plan and Other State Administered Systems for the fiscal year ended June 30, 2014 and the Schedules of Employer Allocations and Pension Amounts by Employer for the Florida Retirement Systems Pension Plan and the Retiree Health Insurance Subsidy Program, audited by the Florida Auditor General. The system's CAFR and actuarial reports may be obtained from the State of Florida, Division of Retirement, in Tallahassee, Florida or online at [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

NOTE H – COMMITMENTS AND CONTINGENCIES

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

Leases

The School leases facilities under an operating lease. In addition, the School leases administrative offices from a private foundation controlled by members of the Board of Directors. See Note C. Rent expense for the year ended June 30, 2015 was \$11,073, none of which was paid to related parties.

Future minimum rental payments for the years ended June 30, are as follows:

2016	\$ 10,106
2017	\$ 10,106
2018	\$ 10,106
2019	\$ 10,106
2020	\$ 10,106
Thereafter	\$ 30,317

Funding and Credit Concentrations

The School receives substantially all of its support and revenue from the federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

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**REQUIRED SUPPLEMENTAL INFORMATION**

**BUDGET TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND**

For the year ended June 30, 2015

<b>REVENUES:</b>	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Favorable (Unfavorable)</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	
Categorical programs and other	\$ 294,232	\$ 294,232	\$ 186,539	\$ (107,693)
<b>Total state sources</b>	294,232	294,232	186,539	(107,693)
<b>Local sources</b>				
Grants and other	-	-	9,746	9,746
<b>Total local sources</b>	-	-	9,746	9,746
<b>Total Revenues</b>	294,232	294,232	196,285	(97,947)
 <b>EXPENDITURES:</b>				
<b>Current</b>				
Instructional	57,838	57,838	105,485	(47,647)
Pupil personnel services	1,704	1,704	-	1,704
Instruction and curriculum development	1,500	1,500	-	1,500
Instructional staff training services	900	900	-	900
General administration	5,526	5,526	11,255	(5,729)
School administration	29,400	29,400	25,060	4,340
Facilities acquisition and construction	-	-	11,073	(11,073)
Fiscal services	20,282	20,282	7,024	13,258
Food services	-	-	8,318	(8,318)
Central services	16,800	16,800	16,144	656
Pupil transportation services	-	-	-	-
Operation of plant	6,000	6,000	-	6,000
Maintenance of plant	12,000	12,000	125	11,875
<b>Capital outlay</b>	-	-	-	-
<b>Total Expenditures</b>	151,950	151,950	184,484	(32,534)
<b>Excess of revenues over expenditures</b>	142,282	142,282	11,801	(130,481)
 <b>OTHER FINANCING SOURCES (USES)</b>				
Transfer of capital assets to CSE Davie 1	-	-	101,451	101,451
<b>Net change in fund balance</b>	142,282	142,282	113,252	(29,030)
<b>Fund Balance - Beginning of Year</b>	2,404	2,404	2,404	-
<b>Fund Balance - End of Year</b>	\$ 144,686	\$ 144,686	\$ 115,656	\$ (29,030)

See Independent Auditor's Report.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
 a Component Unit of The School Board of Broward County, Florida*

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE of the SCHOOL'S PROPORTIONATE SHARE of the NET PENSION LIABILITY  
 FLORIDA RETIREMENT SYSTEM  
 Last 10 Fiscal Years\***

	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.000954956%	0.000981065%
School's proportionate share of the net pension liability (asset)	\$ 58,266	\$ 168,885
School's covered-employee payroll	\$ 386,333	\$ 345,436
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	15.08%	48.89%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	88.54%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See Independent Auditor's Report.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
a Component Unit of The School Board of Broward County, Florida*

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF SCHOOL CONTRIBUTIONS  
FLORIDA RETIREMENT SYSTEM**

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 20,918	\$ 13,202
Contributions in relation to the contractually required contribution	<u>(20,918)</u>	<u>(13,202)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 386,333	\$ 345,436
Contributions as a percentage of covered-employee payroll	5.41%	3.82%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See Independent Auditor's Report.

**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
 a Component Unit of The School Board of Broward County, Florida*

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE of the SCHOOL'S PROPORTIONATE SHARE of the NET PENSION LIABILITY  
 HEALTH INSURANCE SUBSIDY PROGRAM**

Last 10 Fiscal Years\*

	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.001300259%	0.001189029%
School's proportionate share of the net pension liability (asset)	\$ 121,577	\$ 103,521
School's covered-employee payroll	\$ 386,333	\$ 345,436
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	31.47%	29.97%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	1.78%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See Independent Auditor's Report.



**The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus**  
*A Charter School under The Charter Schools of Excellence, Inc. and  
 a Component Unit of The School Board of Broward County, Florida*

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF SCHOOL CONTRIBUTIONS  
 HEALTH INSURANCE SUBSIDY PROGRAM  
 Last 10 Fiscal Years\***

	<b>2014</b>	<b>2013</b>
Contractually required contribution	\$ 4,454	\$ 3,895
Contributions in relation to the contractually required contribution	(4,454)	(3,895)
Contribution deficiency (excess)	\$ -	\$ -
School's covered-employee payroll	\$ 386,333	\$ 345,436
Contributions as a percentage of covered-employee payroll	1.15%	1.13%

\* The amounts presented for each fiscal year were determined as of 6/30.

\* Complete 10-year information to be presented in future years as it becomes available.

See Independent Auditor's Report.

# Charles A. Krblich, P. A.

*Certified Public Accountants*

## 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 Charter Schools of Excellence, Inc.  
Fort Lauderdale, 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 the major fund of The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus (the "School"), a charter school under The Charter Schools of Excellence, Inc. and a component unit of The School Board of Broward County, Florida, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 26, 2015.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus'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 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 Charter Schools of Excellence, Inc. #5026 Davie 2 Campus'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.



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Fort Lauderdale, Florida  
October 26, 2015

# Charles A. Krblich, P.A.

*Certified Public Accountants*

## MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

To the Board of Directors  
The Charter Schools of Excellence, Inc.  
Fort Lauderdale, Florida

### **Report on the Financial Statements**

We have audited the financial statements of The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus (the "School"), a charter school under The Charter Schools of Excellence, Inc. and a component unit of The School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated October 26, 2015.

### **Auditor's Responsibility**

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

### **Other Report**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 26, 2015, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus (f/k/a The Charter Schools of Excellence CSE08\_\_10).

### **Financial Condition**

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus 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 The

### **Financial Condition – Continued**

Charter Schools of Excellence, Inc. #5026 Davie 2 Campus did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus. It is management's responsibility to monitor The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

### **Transparency**

Section 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 The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that The Charter Schools of Excellence, Inc. #5026 Davie 2 Campus 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 the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and The School Board of Broward County, Florida and is not intended to be and should not be used by anyone other than these specified parties.



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Fort Lauderdale, Florida  
October 26, 2015