

**CHANNELSIDE ACADEMY OF
MATH AND SCIENCE**
(A CHARTER SCHOOL UNDER ADVANTAGE
ACADEMY OF HILLSBOROUGH, INC.)

A Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

INDEPENDENT AUDITOR'S REPORT
for the fiscal year ended JUNE 30, 2019

King & Walker, CPAs, PL

Certified Public Accountants

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CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

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Florida Institute of CPAs
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Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

Independent Auditor's Report

To the Board of Directors of the Channelside Academy of Math and Science
(A charter school under Advantage Academy of Hillsborough, Inc.),
a Charter School and Component Unit of the
District School Board of Hillsborough County, 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 Channelside Academy of Math and Science ("School"), a charter school under Advantage Academy of Hillsborough, Inc., and component unit of the District School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2019, 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 *Governmental 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 School'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 School'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 opinion.

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, 2019, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Advantage Academy of Hillsborough, Inc. These financial statements do not purport to and do not present fairly the financial position of Advantage Academy of Hillsborough, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, 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 historic 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019 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 School's internal control over financial reporting and compliance.

Respectfully submitted,



September 20, 2019
Tampa, Florida

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida
MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

The Management’s Discussion and Analysis (MD&A) section of the annual financial report of the Channelside Academy of Math and Science (“School”), a charter school under Advantage Academy of Hillsborough, Inc. provides an overview of the School’s activities for the fiscal year ended June 30, 2019.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School’s financial statements and notes to financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2019, the School’s expenses exceeded revenues as shown on the School’s statement of activities by \$190,314.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$1,332,707.
- The School issued bonded debt of \$8,352,411.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School’s overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government’s financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School’s net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School’s financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

CHANNELSIDE ACADEMY OF MATH AND SCIENCE

(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds: a General Fund to account for its general operations and internal account activities; a Debt Service Fund to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest; and a Capital Projects Fund to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays. All funds are considered major funds for reporting purposes.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

Notes to 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.

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School's current year and prior year net position:

	Net Position, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-18</u>	<u>6-30-19</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 1,435,262	\$ 2,028,500	\$ 593,238
Capital Assets, net	90,478	8,277,474	8,186,996
Total Assets	1,525,740	10,305,974	8,780,234
LIABILITIES			
Current Liabilities	159,898	188,819	28,921
Long Term Liabilities	-	8,941,627	8,941,627
Total Liabilities	159,898	9,130,446	8,970,548
NET POSITION			
Net Investment in Capital Assets	90,478	(663,136)	(753,614)
Restricted for Debt Service	-	505,957	505,957
Unrestricted	1,275,364	1,332,707	57,343
Total Net Position	\$ 1,365,842	\$ 1,175,528	\$ (190,314)

The School's assets primarily consist of cash & cash equivalents including restricted investments for the School's bonded debt. Capital assets consist of land, buildings, building improvements, and furniture, fixtures, and equipment. Current liabilities primarily consists of accrued salaries and benefits payable and accounts payable to vendors. Long-Term liabilities consist of outstanding bonded debt.

Total net position amounted to \$1,175,528 as of June 30, 2019, representing an decrease of \$190,314 over the prior fiscal year.

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the School's change in net position for the current year and prior year:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-18</u>	<u>6-30-19</u>	<u>Increase (Decrease)</u>
Revenues:			
State Sources	\$ 2,552,090	\$ 2,863,858	\$ 311,768
Local and Other	446,955	366,685	(80,270)
Total Revenues	<u>2,999,045</u>	<u>3,230,543</u>	<u>231,498</u>
Expenses:			
Instruction	1,356,060	1,459,929	103,869
Pupil Personnel Services	643	1,417	774
Instruction & Curriculum Development	31,796	29,215	(2,581)
Instructional Staff Training	1,189	4,860	3,671
Instructional-Related Technology	10,603	20,806	10,203
Board of Education	20,022	21,450	1,428
General Administration	324,461	340,659	16,198
School Administration	242,523	242,508	(15)
Facilities Acquisition & Construction	396,243	404,484	8,241
Fiscal Services	2,392	371	(2,021)
Central Services		718	718
Pupil Transportation		4,100	4,100
Operation of Plant	179,136	228,410	49,274
Maintenance of Plant	40,959	41,127	168
Community Service	176,615	235,383	58,768
Debt Service-Interest & Fiscal Charges		342,417	342,417
Unallocated Depreciation	18,753	43,003	24,250
Total Expenses	<u>2,801,395</u>	<u>3,420,857</u>	<u>619,462</u>
Increase/(Decrease) in Net Position	<u>\$ 197,650</u>	<u>\$ (190,314)</u>	<u>\$ (387,964)</u>

The largest revenue source for the School is the State of Florida (89%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentrations of expenses were for Instruction related functions (44%), which primarily consisted of teacher salaries, General Administration (10%), which primarily consisted of contract management fees and district administration charges, Facilities Acquisition and Construction (12%), which primarily consisted of the School's facility lease payments, and Debt Service-Interest & Fiscal Charges (10%).

CHANNELSIDE ACADEMY OF MATH AND SCIENCE

(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$1,839,681.

LONG-TERM LIABILITIES

On June 1, 2019, the School issued revenue bonds in the amount of \$8,352,411 to fund the acquisition and renovation of educational facilities. The bonds will be repaid incrementally over the next 35 years. Additional information regarding the School's long-term liabilities can be found in the notes to the financial statements.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$8,277,474 (net of accumulated depreciation). This investment in capital assets includes land, buildings, building improvements, and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in the Notes to the financial statements.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2019, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised the budget. For the fiscal year ending June 30, 2019, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule for additional information regarding the General Fund.

OTHER MATTERS OF SIGNIFICANCE

The Board approved the merger of the School with the Channelside Middle School into Channelside Academy of Math and Science and to transfer the charter to a new sponsor, Advantage Academy of Hillsborough, Inc. effective July 1, 2019. On January 15, 2018, the District approved the merger of the two existing charter school contracts and the transfer of the charter to this entity and issued a new charter starting July 1, 2019 until June 30, 2029. All assets and liabilities of the School will be transferred and reported as Channelside Academy of Math and Science under Advantage Academy of Hillsborough, Inc. starting in the 2019-20 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Director, Channelside Academy of Math and Science, 1029 E. Twiggs Street, Tampa, FL 33602.

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 1,899,668
Accounts Receivable	124,614
Prepaid Expenses	4,218
Capital Assets:	
Land	3,087,188
Buildings, Net	4,993,131
Building Improvements, Net	143,014
Furniture, Fixtures, and Equipment, Net	54,141
Total Capital Assets, Net	<u>8,277,474</u>
TOTAL ASSETS	<u>10,305,974</u>
LIABILITIES	
Accounts Payable	46,461
Salaries and Benefits Payable	141,378
Due to Other Agencies	980
Long Term Liabilities:	
Due within one year - Bonds Payable	147,935
Due after one year - Bonds Payable	8,793,692
TOTAL LIABILITIES	<u>9,130,446</u>
NET POSITION	
Net Investment in Capital Assets	(663,136)
Restricted for Debt Service	505,957
Unrestricted	1,332,707
TOTAL NET POSITION	<u><u>\$ 1,175,528</u></u>

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

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 1,459,929	\$ -	\$ -	\$ -	\$ (1,459,929)
Pupil Personnel Services	1,417				(1,417)
Instruction & Curriculum Development	29,215				(29,215)
Instructional Staff Training	4,860				(4,860)
Instructional-Related Technology	20,806				(20,806)
Board of Education	21,450				(21,450)
General Administration	340,659				(340,659)
School Administration	242,508				(242,508)
Facilities Acquisition & Construction	404,484			184,666	(219,818)
Fiscal Services	371				(371)
Central Services	718				(718)
Pupil Transportation	4,100				(4,100)
Operation of Plant	228,410				(228,410)
Maintenance of Plant	41,127				(41,127)
Community Service	235,383	286,788			51,405
Debt Service - Interest & Fiscal Charges	342,417				(342,417)
Unallocated Depreciation	43,003				(43,003)
Total Governmental Activities	\$ 3,420,857	\$ 286,788	\$ -	\$ 184,666	(2,949,403)
General Revenues:					
					2,679,192
State Sources					2,428
Grants and Contributions not restricted to specific program					77,469
Local and Other					2,759,089
Total General Revenues					2,759,089
Change in Net Position					(190,314)
Net Position - July 1, 2018					1,365,842
Net Position - June 30, 2019					\$ 1,175,528

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

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Debt Service Fund	Capital Projects Funds	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 1,368,661	\$ 529,990	\$ 1,017	\$ 1,899,668
Investments - Restricted				-
Accounts Receivable	124,614			124,614
Due from Other Funds	24,033			24,033
Prepaid Expenses	4,218			4,218
Total Assets	\$ 1,521,526	\$ 529,990	\$ 1,017	\$ 2,052,533
LIABILITIES				
Accounts Payable	\$ 46,461	\$ -	\$ -	\$ 46,461
Salaries and Benefits Payable	141,378			141,378
Due to Other Agencies	980			980
Due to Other Funds		24,033		24,033
Total Liabilities	188,819	24,033	-	212,852
FUND BALANCES				
Nonspendable	4,218			4,218
Restricted		505,957	1,017	506,974
Unassigned	1,328,489			1,328,489
Total Fund Balances	1,332,707	505,957	1,017	1,839,681
Total Liabilities and Fund Balances	\$ 1,521,526	\$ 529,990	\$ 1,017	\$ 2,052,533

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

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2019

Total Fund Balances - Governmental Funds	\$ 1,839,681
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Amounts reported for governmental activities in the statement of net position are different because:

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of a notes payable.	(8,941,627)
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Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>8,277,474</u>
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Total Net Position - Governmental Activities	<u><u>\$ 1,175,528</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

**A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS**

For the Fiscal Year Ended June 30, 2019

	General Fund	Debt Service Fund	Capital Projects Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
State Sources	\$ 2,679,192	\$ -	\$ 184,666	\$ 2,863,858
Local and Other	366,685			366,685
Total Revenues	3,045,877	-	184,666	3,230,543
Expenditures				
Current - Education:				
Instruction	1,459,929			1,459,929
Pupil Personnel Services	1,417			1,417
Instruction & Curriculum Development	29,215			29,215
Instructional Staff Training	4,860			4,860
Instructional-Related Technology	20,806			20,806
Board of Education	21,450			21,450
General Administration	340,659			340,659
School Administration	242,508			242,508
Facilities Acquisition & Construction	219,818		184,666	404,484
Fiscal Services	371			371
Central Services	718			718
Pupil Transportation	4,100			4,100
Operation of Plant	228,410			228,410
Maintenance of Plant	41,127			41,127
Community Service	235,383			235,383
Fixed Capital Outlay:				
Facilities Acquisition & Construction	91,716		8,092,236	8,183,952
Other Capital Outlay	46,047			46,047
Debt Service:				
Interest & Fiscal Charges		342,417		342,417
Total Expenditures	2,988,534	342,417	8,276,902	11,607,853
Excess (Deficiency) of Revenues Over Expenditures	57,343	(342,417)	(8,092,236)	(8,377,310)
Other Financing Sources (Uses):				
Proceeds from Long-Term Debt		8,941,627		8,941,627
Transfers In			8,093,253	8,093,253
Transfers (Out)		(8,093,253)		(8,093,253)
Total Other Financing Sources (Uses)	-	848,374	8,093,253	8,941,627
Net Change in Fund Balances	57,343	505,957	1,017	564,317
Fund Balances, July 1, 2018	1,275,364	-	-	1,275,364
Fund Balances, June 30, 2019	\$ 1,332,707	\$ 505,957	\$ 1,017	\$ 1,839,681

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

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)

A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2019

Net Change in Fund Balances - Governmental Funds	\$	564,317
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlay (\$8,229,999) in excess of depreciation expense (\$43,003) in the current period.

8,186,996

Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the statement of net position.

(8,941,627)

Change in Net Position - Governmental Activities	\$	<u><u>(190,314)</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Channelside Academy of Math and Science (“School”), a charter school under Advantage Academy of Hillsborough, Inc., is a component unit of the District School Board of Hillsborough County, Florida. The School’s charter is held by Advantage Academy of Hillsborough, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Advantage Academy of Hillsborough, Inc. as of June 30, 2019, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Hillsborough County, Florida, (“District”). The current charter is effective until June 30, 2019. See the Subsequent Events sub-heading in Note 1 to the financial statements for a discussion on the status of the School’s charter. The charter is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this 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. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

NOTES TO FINANCIAL STATEMENTS
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➤ **Allocation of Common Expenses**

The School shares the same physical location with Channelside Academy of Math and Science Middle School, a charter school under the same charter-holder, and incurs common expenditures. These common expenditures have been allocated between the Schools based on student enrollment.

Expenditures that are subject to allocation include, but are not limited to the following functional categories:

- Instruction
- Instructional Media
- Administration
- Facilities Acquisition & Construction
- Operation of Plant

The process of the allocation of common expenses takes place when the expenses are recorded based on a methodical and non-discriminatory basis.

➤ **Basis of Presentation**

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.

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.

NOTES TO FINANCIAL STATEMENTS
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The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Debt Service Fund – to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.
- Capital Projects Fund – to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays.

➤ **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. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. 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. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

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The School's deposits are placed with banks and savings and loan which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial risk.

➤ **Investments**

The School had not adopted a written investment policy. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

The School's investments are set aside to make debt service payments, maintain sinking or reserve funds, and to purchase or construct capital assets and are classified as restricted. These investments are reported as restricted in the Debt Service and Capital Projects Funds in the Balance Sheet – Governmental Funds.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3-5 years
Building	35 years
Building Improvements	5-20 years

NOTES TO FINANCIAL STATEMENTS
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➤ **Noncurrent Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Capital improvement debt is reported net of unamortized discount. The School amortizes debt discounts over the life of the debt using the straight-line method. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **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 then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

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

NOTES TO FINANCIAL STATEMENTS

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- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent 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 (FTE) reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's

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compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (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 Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2019, the School reported 379.17 unweighted FTE and 405.3664 weighted FTE. Weighted funding represents 4% of total FEFP funding.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state 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.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

➤ **Recently Issued Accounting Principles**

Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements was effective for fiscal years beginning after June 15, 2018. The School's notes related to debt reflect all required disclosures.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined the following to be disclosed:

The Board approved the merger of the School with Channelside Academy of Math and Science Middle School under the same charter-holder, Advantage Academy of Hillsborough, Inc. effective July 1, 2019. On January 15, 2019, the District approved the merger of the two existing charter contracts and issued a new charter for 10 years starting July 1, 2019 until June 30, 2029. All assets and liabilities of the School will be transferred and reported as Channelside Academy of Math and Science under Advantage Academy of Hillsborough, Inc. starting in the 2019-20 fiscal year.

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

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3. INVESTMENTS

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

All of the School's recurring fair value measurements as of June 30, 2019 are valued using quoted market prices (Level 1 inputs).

The School's investments at June 30, 2019, are reported as follows:

Investment	Amount
US Bank - First American Treasury Mutual	
Fund	\$ 531,007
Total	\$ 531,007

This investment is reported as a cash equivalent for financial statement reporting purposes.

4. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ -	\$3,087,188	\$ -	\$ 3,087,188
Total Capital Assets Not Being Depreciated	-	3,087,188	-	3,087,188
Capital Assets Being Depreciated:				
Building	-	5,005,048		5,005,048
Building Improvements	94,180	91,716		185,896
Furniture, Fixtures and Equipment	98,020	46,047		144,067
Total Capital Assets Being Depreciated	192,200	5,142,811	-	5,335,011
Less Accumulated Depreciation for:				
Building	-	(11,917)		(11,917)
Building Improvements	(29,702)	(13,180)		(42,882)
Furniture, Fixtures and Equipment	(72,020)	(17,906)		(89,926)
Total Accumulated Depreciation	(101,722)	(43,003)	-	(144,725)
Total Capital Assets Being Depreciated, net	90,478	5,099,808	-	5,190,286
Governmental Activities Capital Assets, net	\$ 90,478	\$8,186,996	\$ -	\$ 8,277,474

All depreciation expense was shown as unallocated on the statement of activities.

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5. ACCOUNTS RECEIVABLE – RELATED PARTY

Included in the accounts receivable balance reported in the statement of net position and the balance sheet – governmental funds, the School reported a receivable of \$124,614 as a result of money advanced for shared expenses awaiting reimbursement from Channelside Middle School (\$36,386) and Independence Academy (\$65,227) charter schools operated under the same charter-holder and The Charter School at Waterstone (\$23,001), a charter school under the same management company. The School expects to receive full payment within one year from the financial statement date and no allowance for uncollectible accounts has been established.

6. ACCOUNTS PAYABLE – RELATED PARTY

Included within the accounts payable balance reported in the accompanying statement of net position and balance sheet – governmental funds, the School reported a payable of \$19,301 as a result of shared expenditures paid by Bell Creek Academy (\$628), Valrico Lake Advantage Academy (\$16,011), Hillsborough Academy of Math & Science (\$992), and Advantage Academy of Hillsborough (\$137), charter schools under the same charter-holder, The Charter School at Waterstone (\$609) and Pinellas Academy of Math & Science (\$924) charter schools operated by the same management company. Amounts are expected to be paid within one year.

7. DUE TO OTHER AGENCIES

The amount due to other agencies on the School’s statement of net position and balance sheet – governmental funds represents an amount due to the District School Board of Hillsborough County for a reimbursement of funds.

8. BONDS PAYABLE

Bonds payable at June 30, 2019, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Revenue Bonds:			
Series 2019A	\$ 8,224,114	4.0 to 5.0 percent	2054
Series 2019A	128,297	5.0 percent	2021
<i>add:</i> Unamortized Bond Premium	589,216		
Total Bonds Payable	<u>\$ 8,941,627</u>		

Revenue Bonds Series 2019A and 2019B – On June 1, 2019, Advantage Academy of Hillsborough, Inc., the School’s charter-holder, issued tax-exempt revenue bonds (Series 2019A) for \$8,224,114 and taxable revenue bonds (Series 2018A) for \$128,297 secured by a mortgage on the School’s property and buildings. The bonds were issued to finance the purchase of the School’s educational facility and land.

Series 2019A bonds are term bonds paying interest semi-annually at a rate of 4-5% with maturities starting December 15, 2019, and ending December 15, 2054. Series 2019B

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bonds are term bonds paying interest semi-annually at a rate of 5% with maturities starting December 15, 2019, and ending December 15, 2021.

As required by the bond resolution, the District has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

In the event of default for non-payment of principal or interest on the bonds, the outstanding amounts will become due and payable. As required by the Loan Agreement, the School must meet the minimum debt service coverage ratio of 1.1 to 1 (the “debt Service Coverage Requirement”) as of June 30, 2020, and each year thereafter. Further, the School agrees to have cash on hand at June 30, 2020, and each June 30 until the bonds are no longer outstanding, in amount not less than 60 days cash on hand.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2020	\$ 543,658	\$ 147,935	\$ 395,723
2021	499,541	94,259	405,282
2022	499,914	98,841	401,073
2023	499,666	102,769	396,897
2024	499,482	106,696	392,786
2025-2029	2,502,130	615,958	1,886,172
2030-2034	2,508,714	792,694	1,716,020
2035-2039	2,514,266	1,017,868	1,496,398
2040-2044	2,520,308	1,305,882	1,214,426
2045-2049	2,528,637	1,675,719	852,918
2050-2054	2,539,742	2,150,942	388,800
2055	254,464	242,848	11,616
<i>add: Unamortized Bond Premium</i>	589,216	589,216	
Total	<u>\$18,499,738</u>	<u>\$8,941,627</u>	<u>\$9,558,111</u>

9. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

Governmental Activities:	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
Bonds Payable	\$ -	\$ 8,352,411	\$ -	\$ 8,352,411	\$ 147,935
Unamortized Premium	-	589,216		589,216	-
Total Bonds Payable	-	8,941,627	-	8,941,627	147,935
Total Governmental Activities	<u>\$ -</u>	<u>\$ 8,941,627</u>	<u>\$ -</u>	<u>\$ 8,941,627</u>	<u>\$ 147,935</u>

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10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2019, the Debt Service Fund owed the General Fund \$24,033 for the payment of costs of issuance awaiting reimbursement. The Debt Service Fund transferred \$8,093,253 to the Capital Projects Fund for the acquisition of buildings and land. The amounts of interfund receivables, payables, and transfers are netted together and not reported in the statement of net position and the statement of activities.

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's revenue:

Source	Amount
Florida Education Finance Program	\$ 1,853,340
Class Size Reduction	480,328
Charter School Capital Outlay	184,666
Supplementary Academic Instruction	88,847
Discretionary Local Effort	67,100
ESE Guaranteed Allocation	54,334
School Recognition Program	36,079
Instructional Materials	29,339
Safe Schools Program	17,576
Reading Programs	16,223
Best & Brightest Teacher Scholarship Program	16,098
Mental Health Assistance Allocation	8,570
Teachers Classroom Supply Program	5,712
Digital Classroom Allocation	5,646
Total State Revenue	\$ 2,863,858

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$86,435.

12. OPERATING AGREEMENT

The School entered into a contract with Charter School Associates (CSA). The contract calls for CSA to provide the School with marketing, curriculum design and implementation; student and staff recruiting; principal selection; and general management of the School's operations. An annual fee is to be 10% of the School's gross operating revenue less the School's administrative fee, to be paid in monthly installments. Fees under this agreement incurred to CSA during the fiscal year amounted to \$254,225.

NOTES TO FINANCIAL STATEMENTS
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13. SCHOOL FOOD SERVICE AGREEMENT

In July 2017, the School entered into an agreement with The Charter School at Waterstone (Waterstone), a charter school under the same management company, to operate the School's food service operations. Waterstone records all revenues and expenses and reimburses the School for the employee costs associated with food service meal preparation, limited to the revenues generated by the School. For the fiscal year ended June 30, 2019, the School recorded no food service expenses.

14. FACILITY LEASE

Advantage Academy of Hillsborough, Inc., the School's charter-holder, entered into a 3-year operating lease for its educational facility beginning August 1, 2011, through June 30, 2014, with an option to renew for an additional 10-year period. Effective July 1, 2015, upon mutual agreement of both parties, the lease was extended through June 30, 2024. The agreement requires monthly payments with an annual increase in rent of 3% or CPI, whichever is less, based on enrollment. With the acquisition of the land and building, the facility lease was terminated by agreement of both parties. Rental expenditures under this lease agreement for the fiscal year amounted to \$564,144. For the 2018-19 fiscal year, the School's portion was \$404,484 and a portion of the space included in the operating lease was assigned to and paid by Channelside Academy of Math and Science Middle School, a related party, in the amount of \$159,660.

15. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity 401(k) plan for employees with more than three months of service with the School. Contributions made by the School totaled \$3,265 for the year ended June 30, 2019 which was computed at 1.5% of employee's deferral of wages for each participating employee. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

16. FUNDING AND CREDIT RISK CONCENTRATIONS

The School receives substantially all of its support and revenue from 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.

NOTES TO FINANCIAL STATEMENTS
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17. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

18. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2019, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

19. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

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A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF HILLSBOROUGH COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2019

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
State Sources	\$ 2,812,394	\$ 2,679,192	\$ 2,679,192	\$ -
Local and Other	451,205	366,685	366,685	-
Total Revenues	3,263,599	3,045,877	3,045,877	-
Expenditures:				
Current - Education:				
Instruction	1,555,468	1,459,929	1,459,929	-
Pupil Personnel Services	679	1,417	1,417	-
Instruction & Curriculum Development	32,755	29,215	29,215	-
Instructional Staff Training	1,078	4,860	4,860	-
Instructional-Related Technology	25,566	20,806	20,806	-
Board of Education	20,052	21,450	21,450	-
General Administration	358,760	340,659	340,659	-
School Administration	253,159	242,508	242,508	-
Facilities Acquisition & Construction	201,273	219,818	219,818	-
Fiscal Services	1,810	371	371	-
Central Services		718	718	-
Pupil Transportation		4,100	4,100	-
Operation of Plant	200,399	228,410	228,410	-
Maintenance of Plant	40,727	41,127	41,127	-
Community Service	207,247	235,383	235,383	-
Fixed Capital Outlay:				
Facilities Acquisition & Construction	1,890	91,716	91,716	-
Other Capital Outlay	25,446	46,047	46,047	-
Total Expenditures	2,926,309	2,988,534	2,988,534	-
Net Change in Fund Balance	337,290	57,343	57,343	-
Fund Balance, June 30, 2018	1,275,364	1,275,364	1,275,364	-
Fund Balance, June 30, 2019	<u>\$ 1,612,654</u>	<u>\$ 1,332,707</u>	<u>\$ 1,332,707</u>	<u>\$ -</u>

See Independent Auditor's Report.

CHANNELSIDE ACADEMY OF MATH AND SCIENCE
(A CHARTER SCHOOL UNDER ADVANTAGE ACADEMY OF HILLSBOROUGH, INC.)
A Charter School and Component Unit of the District School Board of Hillsborough County, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2019

1. BUDGETARY BASIS OF ACCOUNTING

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 for the annual report.

Members:
Florida Institute of CPAs
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Government Audit Quality Center

2803 W. Busch Blvd Ste 106
Tampa, FL 33618
office (813) 892-4274 fax (813) 932-1913
www.KingandWalker.com

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of the Channelside Academy of Math and Science
(A charter school under Advantage Academy of Hillsborough, Inc.),
a Charter School and Component Unit of the
District School Board of Hillsborough County, 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 Channelside Academy of Math and Science (“School”), a charter school under Advantage Academy of Hillsborough, Inc., and component unit of the District School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2019, 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 20, 2019.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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 compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 20, 2019
Tampa, Florida

Members:
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American Institute of CPAs
Government Audit Quality Center

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Tampa, FL 33618
office (813)892-4274 fax (813) 932-1913
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**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of the Channelside Academy of Math and Science
(A charter school under Advantage Academy of Hillsborough, Inc.),
a Charter School and Component Unit of the
District School Board of Hillsborough County, Florida

Report on the Financial Statements

We have audited the financial statements of the Channelside Academy of Math and Science (“School”), a charter school under Advantage Academy of Hillsborough, Inc., and a component unit of the District School Board of Hillsborough County, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 20, 2019.

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 Reporting Requirements

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 those reports and schedule, which are dated September 20, 2019, 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 School did not have findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Channelside Academy of Math and Science, 296652.

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.

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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional 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 District School Board of Hillsborough County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 20, 2019
Tampa, Florida