

THE CHARTER SCHOOLS OF EXCELLENCE, INC.

#5271 DAVIE 1 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
SUPPLEMENTARY INFORMATION

June 30, 2019

Charles A. Krblich, P.A.

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. #5271 Davie 1 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, 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 *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. #5271 Davie 1 Campus, as of June 30, 2019, 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 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. #5271 Davie 1 Campus 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 The Charter Schools of Excellence, Inc. These financial statements do not purport to and do not present fairly the financial position of The Charter Schools of Excellence, 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 on pages 3 through 6, and required supplementary information on pages 28 through 32 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 September 25, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's internal control over financial reporting and compliance.



Fort Lauderdale, Florida
September 25, 2019

The Charter Schools of Excellence, Inc. #5271 Davie 1 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. #5271 Davie 1 Campus's management discussion and analysis presents an overview of the School's financial activities for the fiscal year ended June 30, 2019. Please read it in conjunction with the School's financial statements beginning on page 7.

FINANCIAL HIGHLIGHTS

- The total net position increased \$119 thousand. Assets exceeded liabilities (net position) by \$585 thousand; net position consists of an investment in capital assets of \$351 thousand and unrestricted net position surplus of \$234 thousand.
- General revenues accounted for \$2,659 thousand, or 87% of all revenues. Program specific revenues consisting of grants, contributions and charges for services accounted for \$414 thousand or 13% of revenues.
- On a *funds* basis, there was an excess of revenues over expenditures of \$81 thousand, with a change in fund balance of \$325 thousand after other financing sources of \$244 thousand.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide (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 the 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 balance 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 has 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 this 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, assets exceeded liabilities by \$585 thousand at the close of the most recent fiscal year.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's Net Position

	Component Unit Activities	
	2019	2018
Current and other assets	\$ 780,415	\$ 390,478
Capital assets, net	550,342	502,068
Total assets	1,330,757	892,546
Deferred outflows of resources	497,118	416,299
Other liabilities	140,221	75,201
Non-current liabilities	1,015,010	713,459
Total liabilities	1,155,231	788,660
Deferred inflows of resources	87,234	54,248
Net position:		
Net investment in capital assets	351,155	502,068
Unrestricted	234,255	(36,131)
Total net position	\$ 585,410	\$ 465,937

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's Changes in Net Position

	Component Unit Activities		Increase (Decrease)
	2019	2018	From Fiscal 2018
Revenues			
Program revenues			
Charges for services	\$ 105,689	\$ 109,103	\$ (3,414)
Operating grants and contributions	308,368	164,664	143,704
General revenues			
Federal, State sources	2,400,537	2,180,291	220,246
Other local revenues	258,584	261,319	(2,735)
Unrestricted investment earnings (loss), net	(604)	2,232	(2,836)
Total revenues	<u>3,072,574</u>	<u>2,717,609</u>	<u>354,965</u>
Expenses			
Instructional	1,316,953	1,008,575	308,378
Pupil personnel services	19,704	82,236	(62,532)
Instructional staff training services	8,919	4,478	4,441
Board	42,757	-	42,757
General administration	-	106,207	(106,207)
School administration	661,483	340,659	320,824
Facilities acquisition and construction	-	141,055	(141,055)
Fiscal services	172,478	135,352	37,126
Food services	135,225	94,353	40,872
Central services	76,591	384,159	(307,568)
Pupil transportation services	51,300	49,305	1,995
Operation of plant	396,376	192,100	204,276
Maintenance of plant	58,750	42,904	15,846
Interest	12,565	795	11,770
Total expenses	<u>2,953,101</u>	<u>2,582,178</u>	<u>370,923</u>
Changes in net position	119,473	135,431	(15,958)
Net position – beginning	<u>465,937</u>	<u>330,506</u>	<u>135,431</u>
Net position – ending	<u>\$ 585,410</u>	<u>\$ 465,937</u>	<u>\$ 119,473</u>

- The largest dollar increase in revenues was from Federal, State sources and operating grants and contributions, due to an increase in State funding.
- The School changed bookkeeping providers for the current fiscal year and certain expenses have been grouped differently compared to the prior year. The expense categories affected are board, general administration, school administration, facilities acquisition and construction, central services and operation of plant. The largest increase in expenses was from instructional.

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 had a surplus balance of \$640 thousand.

- Total revenues increased by \$355 thousand (13%), principally due from an increase in Federal, State sources and Operating grants and contributions.
- Expenditures for general school purposes increased by 14%.

General Fund Budgetary Highlights

- Total revenues were more than budgeted amounts by \$139 thousand (5%). Federal, State sources were under budgeted amounts by \$40 thousand and grants and other revenues were over the amounts budgeted by \$179 thousand.
- Budgeted expenditures were exceeded primarily in fiscal services.

Capital Asset Administration

Capital assets at June 30, 2019 and 2018 are outlined below:

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's Capital Assets
(Net of depreciation)

	Component Unit Activities	
	2019	2018
Leasehold improvements	\$ 476,275	\$ 481,573
Furniture, fixtures and equipment	74,067	20,495
Total capital assets, net of depreciation	<u>\$ 550,342</u>	<u>\$ 502,068</u>

Additional information on the School's capital assets can be found in Note C 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. #5271 Davie 1 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 3rd Avenue, Fort Lauderdale, Florida 33316.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 336,862
Accounts receivable	57,502
Prepaid expenses	3,081
Due from other agencies	375,153
Deposits	7,817
Capital assets, net	<u>550,342</u>
Total assets	<u>1,330,757</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension liability	<u>497,118</u>
LIABILITIES	
Accounts payable and accrued expenditures/expenses	42,639
Accrued payroll, payroll taxes and withholdings	97,582
Non-current liabilities	
Due within one year	
Note payable	58,560
Due after one year	
Note payable net of unamortized debt issuance costs	140,627
Net pension liability	<u>815,823</u>
Total liabilities	<u>1,155,231</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension liability	<u>87,234</u>
NET POSITION	
Net investment in capital assets	351,155
Unrestricted	<u>234,255</u>
Total net position	<u>\$ 585,410</u>

See accompanying notes to the basic financial statements.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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, 2019

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	
FUNCTIONS				
COMPONENT UNIT ACTIVITIES:				
Instructional	\$ 1,316,953	\$ 92,308	\$ -	\$ (1,224,645)
Pupil personnel services	19,704	-	-	(19,704)
Instruction and curriculum development	-	-	-	-
Instructional staff training services	8,919	-	-	(8,919)
Board	42,757	-	-	(42,757)
School administration	661,483	-	-	(661,483)
Facilities acquisition and construction	-	-	-	-
Fiscal services	172,478	-	-	(172,478)
Food services	135,225	13,381	109,843	(12,001)
Central services	76,591	-	-	(76,591)
Pupil transportation services	51,300	-	-	(51,300)
Operation of plant	396,376	-	198,525	(197,851)
Maintenance of plant	58,750	-	-	(58,750)
Interest	12,565	-	-	(12,565)
	<u>\$ 2,953,101</u>	<u>\$ 105,689</u>	<u>\$ 109,843</u>	<u>(2,539,044)</u>
			<u>198,525</u>	
				<u>2,400,537</u>
				<u>258,584</u>
				<u>(604)</u>
				<u>2,658,517</u>
				<u>119,473</u>
				<u>465,937</u>
				<u>\$ 585,410</u>
GENERAL REVENUES:				
Federal, State Sources - categorical programs and other				2,400,537
Other local sources				258,584
Unrestricted investment earnings (loss), net				(604)
Total general revenues				<u>2,658,517</u>
				<u>119,473</u>
				<u>465,937</u>
				<u>\$ 585,410</u>

See accompanying notes to the basic financial statements.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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, 2019

		<u>General Fund</u>
ASSETS		
Cash and cash equivalents	\$	336,862
Accounts receivable		57,502
Prepaid expenses		3,081
Due from other agencies		375,153
Deposits		<u>7,817</u>
Total assets	\$	<u>780,415</u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued expenditures/expenses	\$	42,639
Accrued payroll, payroll taxes and withholdings		<u>97,582</u>
Total liabilities		<u>140,221</u>
 FUND BALANCE		
Non-spendable		7,817
Spendable - unassigned		<u>632,377</u>
Total fund balance		<u>640,194</u>
Total liabilities and fund balance	\$	<u>780,415</u>

See accompanying notes to the basic financial statements.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
*A Charter School under The Charter Schools of Excellence, Inc. and
a Component Unit of The School Board of Broward County, Florida*
RECONCILIATION of the BALANCE SHEET - GOVERNMENTAL FUND
to the STATEMENT OF NET POSITION
June 30, 2019

Total fund balance - governmental fund	\$	640,194
<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 \$1,063,368 and the accumulated depreciation is \$513,026.</p>		550,342
<p>Deferred outflows of resources related to pension liability.</p>		497,118
<p>Non-current (long-term) liabilities are not due and payable in the current period and therefore are not reported in the fund.</p>		(199,187)
<p>Non-current liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the fund.</p>		(815,823)
<p>Deferred inflows of resources related to pension liability.</p>		<u>(87,234)</u>
Total net position - governmental activities	\$	<u>585,410</u>

See accompanying notes to the basic financial statements.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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, 2019

	General Fund
REVENUES:	
Federal, State sources	
Categorical programs and other	\$ 2,400,537
Capital outlay funding	198,525
Total Federal, State sources	2,599,062
 Local sources	
Fundraising and contributions, net	243,879
Grants and other	230,237
Total Local sources	474,116
Unrestricted investment earnings (loss), net	(604)
Total Revenues	3,072,574
 EXPENDITURES:	
Current	
Instructional	1,255,018
Pupil personnel services	19,704
Instruction and curriculum development	-
Instructional staff training services	8,919
Board	42,757
School administration	661,483
Facilities acquisition and construction	-
Fiscal services	172,478
Food services	135,225
Central services	76,591
Pupil transportation services	51,300
Operation of plant	373,240
Maintenance of plant	50,025
Capital outlay	87,539
Debt service	
Principal	46,400
Interest	11,253
Total Expenditures	2,991,932
Excess of Revenues Over Expenditures	80,642
 OTHER FINANCING SOURCES (USES)	
Proceeds from note payable net of debt issuance costs	244,275
Total Other Financing Sources (Uses)	244,275
Net change in fund balance	324,917
Fund Balance - Beginning of Year	315,277
Fund Balance - End of Year	\$ 640,194

See accompanying notes to the basic financial statements.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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, 2019

Net change in fund balance - governmental fund \$ 324,917

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. This amount is the net by which capital outlays (\$87,539) exceeded depreciation (\$39,265). 48,274

Government funds report proceeds and repayment of long-term debt as other financing sources and expenditures. However, in the statement of net position long-term debt proceeds and repayments are shown as an increase or decrease in the liability. Amortization of debt issuance costs are included in interest expense in the statement of activities. The following is the net change in long-term debt during the year (\$197,875) and the amortization of debt issuance costs (\$1,312). (199,187)

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 fund. (54,531)

Change in net position - governmental activities \$ 119,473

See accompanying notes to the basic financial statements.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
*A Charter School under The Charter Schools of Excellence, Inc. and
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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Charter Schools of Excellence, Inc. #5271 Davie 1 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. #5271 Davie 1 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 one other charter school. 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 current charter commenced July 1, 2013 and is effective until June 30, 2028. 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. #5271 Davie 1 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 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

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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE A – CONTINUED

Component Unit and Fund Financial Statements – continued

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).

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-

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NOTES TO THE BASIC FINANCIAL STATEMENTS
 June 30, 2019

NOTE A – CONTINUED

Investments – continued

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

Long-lived assets held and used by the School are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In the event that facts and circumstances indicate that the cost of any long-lived assets may be impaired, an evaluation of recoverability would be performed.

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 K.

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. The School has deposits of \$7,817, classified as non-

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NOTE A – CONTINUED

Fund Balance – continued

spendable. 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 \$632,377 as spendable-unassigned on its 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 the 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, 2019, the School reported 326.10 unweighted FTE and 352.89 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 H.

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NOTE A – CONTINUED

Bond Technology Opportunity Program

The School has chosen to participate in the Broward County School District's Bond Technology Opportunity Program. Through participation in this Program the School was granted access to approximately \$65,000 worth of technology equipment. Title to the equipment remains with the Broward County School District and the School must account for the equipment to the District.

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.

Long-Term Obligations

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

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.

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NOTE A – CONTINUED

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 two charter schools and certain administrative and fiscal costs are shared by both campuses. 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, 2019, The Charter Schools of Excellence, Inc., as a whole, had approximately \$511,000 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.

Amortization of Debt Issuance Costs

Amortization of debt issuance cost is computed on a straight-line basis and is included in interest expense on the statement of activities. Accounting principles generally accepted in the United States of America require that the effective yield method to be used to amortize debt issuance costs; however, the effect of using the straight-line method is not materially different from the results that would have been obtained under the effective yield method. Loan origination fees are being amortized over the term of the loan.

Date of Management Review

In preparing the financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 25, 2019. That date is the date the financial statements were available to be issued.

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NOTE B – ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due from the Florida Consortium of Public Charter Schools. An allowance for doubtful accounts is not considered necessary. See Note G.

NOTE C – CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2019 is as follows:

Description	Beginning Balance	Additions	Deletions	Ending Balance
Leasehold improvements	\$ 732,888	\$ 19,420	\$ -	\$ 752,308
Furniture, fixtures and equipment	242,941	68,119	-	311,060
Total capital assets	975,829	87,539	-	1,063,368
Accumulated depreciation:				
Leasehold improvements	(251,315)	(24,718)	-	(276,033)
Furniture, fixtures and equipment	(222,446)	(14,547)	-	(236,993)
Total accumulated depreciation	(473,761)	(39,265)	-	(513,026)
Total capital assets, net	\$ 502,068	\$ 48,274	\$ -	\$ 550,342

Depreciation was charged to School functions as follows:

Component unit activities:	
Instructional	\$ 7,404
Operation of plant	23,136
Maintenance of plant	8,725
Total depreciation expense	<u>\$ 39,265</u>

NOTE D – LOAN PAYABLE (SHORT-TERM DEBT)

In January 2019, the Charter Schools of Excellence, Inc. renewed a \$150,000 line of credit with a financial institution. The loan is secured by a lien on the equipment and fixtures, inventory, and accounts receivable of the Charters Schools of Excellence, Inc. During the year ended June 30, 2019, no balance of the line of credit was allocated to the School. Interest, when incurred, is charged at the prime rate plus one and a half percent. Interest expense on the entire line of credit for the year ended June 30, 2019 was \$3,353, none of which was allocated to this School.

NOTE E – NOTE PAYABLE (LONG-TERM DEBT)

The School has an outstanding note payable of \$199,187, net of unamortized debt issuance costs of \$4,413, to Building Hope, Inc., a charter schools facilities fund. The proceeds were used to cover the costs associated with capital improvements. The note bears interest at six percent and is payable in monthly installments of interest and principal of \$5,765. The loan matures July 2022. The note is secured by a lien on the leasehold improvements owned by The Charter Schools of Excellence, Inc.

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NOTE E – CONTINUED

Total interest expense for the year ended June 30, 2018 including amortized debt issuance costs of \$1,312, was \$12,565. A summary of changes in Long-term debt for the year ended June 30, 2019 is as follows:

Description	Beginning Balance	Issued	(Retired)	Ending Balance
Note payable	\$ -0-	\$ 250,000	(\$ 46,400)	\$ 203,600
Less debt issuance costs	-0-	(5,725)	1,312	(4,413)
Note payable, net	\$ -0-	\$ 244,275	(\$ 45,088)	\$ 199,187

The aggregate maturities for the year ending June 30 are as follows:

Year	Total	Principal	Interest
2020	\$ 69,183	\$ 58,560	\$ 10,623
2021	69,183	62,171	7,012
2022	69,183	66,006	3,177
2023	17,009	16,863	146
	<u>\$ 224,558</u>	<u>\$ 203,600</u>	<u>\$ 20,958</u>

NOTE F – DONATED SERVICES

Donated services are reflected at their estimated fair market value at the date of contribution. The School receives contributions of professional services. Contributions of professional services are recorded as both income and expense in the statement of activities. Total in-kind contributions for the year ended June 30, 2019 are for accounting services in the amount of \$146,745.

NOTE G – 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.

The Charter Schools of Excellence, Inc. 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 Schools and the Foundation. See Note B and L.

The Charter Schools of Excellence, Inc. operates two charter schools. The schools operated by The Charter Schools of Excellence, Inc. share administrative staff, as well as other operating expenses. At June 30, 2019, the basic financial statements include an amount due from other campuses totaling \$375,153, representing short-term advances for such expenses as mentioned above.

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NOTE H – FEDERAL, STATE, AND LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State, and Local revenue for the year ended June 30, 2019.

Sources	Amount
Federal:	
Child Nutrition Cluster	\$ 109,843
Title I	93,098
Title II	3,278
Total Federal Revenues	\$ 206,219
State:	
Florida Education Finance Program	\$ 1,463,613
Categorical Education Programs:	
Class Size Reduction	435,409
Discretionary Local Effort	177,797
Supplementary Academic Instruction	72,457
Instructional Materials	24,660
Safe School	17,438
Reading Allocation	14,296
Transportation	20,094
ESE Guaranteed Allocation	15,059
Discretionary Lottery	1,149
Digital Classroom Allocation	4,708
Declining Enrollment	2,012
Funding Compression Allocation	214
Mental Health Allocation	7,341
Capital Outlay	198,525
Best and Brightest Bonus	13,147
Teacher Supply Assistance Program	3,186
Florida School Recognition Program	31,580
Total State Revenues	\$ 2,502,685
Local:	
Enrichment Program	\$ 100,938
School Lunch Sales	13,381
Donated Services and Other	249,351
Total Local Revenues	\$ 363,670
Total Federal, State and Local Revenues	\$ 3,072,574

As provided in the charter school contract, the District has charged the School an administrative fee equal to 2 percent of the total funding or \$35,401, which is reflected in fiscal services expenses/expenditures in the accompanying statement of activities and statement of revenues, expenditures, and changes in fund balance-governmental fund.

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NOTE I – 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 J – MAJOR CONTRACTS

The Board of Directors of The Charter Schools of Excellence, Inc. 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 K – 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 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 2019.

Contributions. The contribution rates for members are established, and may be amended, by the State of Florida. During the 2019 fiscal year, contribution rates were as follows:

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NOTE K – CONTINUED

Class or Plan	Percent of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3.0%	8.26%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.66% for the post-employment health insurance supplement and 0.06% 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 \$76,302 for the FRS and \$20,383 for the HIS for the year ended June 30, 2019.

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 nine Investment Plan participants during fiscal 2019.

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

The net pension liability for the FRS Pension Plan at July 1, 2017 has been increased due to the restatement of the fund's beginning net position as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The effect on the School was a trivial adjustment to the financial statements as presented.

At June 30, 2019, the School reported a liability of \$815,823 for its proportionate share of net pension liability, consisting of \$507,932 for the FRS and \$307,891 for the HIS. The net pension liability was measured as of June 30, 2018, 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, 2014, 2015, 2016, 2017, and 2018.

At June 30, 2013, 2014, 2015, 2016, 2017, and 2018, the School's proportions for FRS were 0.000863994 percent, 0.000943401 percent, 0.001496062 percent, 0.001589406 percent, 0.001468793 percent, and 0.001686331 percent, respectively; the School's proportions for HIS were 0.001353724 percent, 0.001598480 percent, 0.002286370 percent, 0.002616358 percent, 0.002609312 percent, and 0.002908991 percent, respectively.

For the year ended June 30, 2019, the School recognized a net pension expense after GASB 68 adjustments of \$198,811. 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

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NOTE K – CONTINUED

contributions remitted by the employer. The year-to-year pension expense number is likely to be volatile. At June 30, 2019, 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
Florida Retirement System		
Difference between expected and actual experience	\$ 43,029	\$ 1,562
Changes of assumptions or other inputs	165,967	-
Net difference between projected and actual earnings on pension plan investments	-	39,244
Changes in proportion and differences between contributions recognized and proportionate share of contributions	74,011	12,851
Contributions subsequent to the measurement date	76,302	-
Total Florida Retirement System	359,309	53,657
Health Insurance Subsidy Program		
Difference between expected and actual experience	4,714	523
Changes of assumptions or other inputs	34,241	32,553
Net difference between projected and actual earnings on pension plan investments	186	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	78,285	501
Contributions subsequent to the measurement date	20,383	-
Total Health Insurance Subsidy Program	137,809	33,577
Total	\$ 497,118	\$ 87,234

Contributions of \$96,685, consisting of \$76,302 for the FRS and \$20,383 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, 2020. 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:

	FRS	HIS
2020	\$ 86,216	\$ 24,232
2021	64,003	24,216
2022	15,501	20,583
2023	33,573	10,812
2024	24,694	859
Thereafter	5,364	3,147
Totals	\$ 229,351	\$ 83,849

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NOTE K – CONTINUED

Actuarial Assumptions. The total pension liability for FRS and HIS were determined by an actuarial valuation as of July 1, 2018, 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 7.00 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 3.87 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 2018:

- FRS: The long-term expected rate of return was decreased from 7.10% to 7.00%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

The actuarial assumptions for the FRS Pension Plan used in the July 1, 2018 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 October 2018, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.00%	2.90%	2.90%	1.80%
Fixed income	18.00%	4.40%	4.30%	4.00%
Global equity	54.00%	7.60%	6.30%	17.00%
Real estate	11.00%	6.60%	6.00%	11.30%
Private equity	10.00%	10.70%	7.80%	26.50%
Strategic investments	6.00%	6.00%	5.70%	8.60%
Total	100.0%			
Assumed Inflation – Mean			2.60%	1.90%

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NOTE K – CONTINUED

Discount Rate. The discount rate used to measure the total FRS pension liability was 7.00 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 7.10 percent to 7.00 percent.

The discount rate used to measure the total HIS pension liability was 3.87 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 increased from 3.58 percent to 3.87 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, 2018.

FRS Net Pension Liability:

	1 % Decrease (6.00%)	Current Discount Rate (7.00%)	1 % Increase (8.00%)
School's proportionate share of the net pension liability	\$ 926,997	\$ 507,932	\$ 159,873

HIS Net Pension Liability:

	1 % Decrease (2.87%)	Current Discount Rate (3.87%)	1 % Increase (4.87%)
School's proportionate share of the net pension liability	\$ 350,670	\$ 307,891	\$ 272,232

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, 2018 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.

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NOTE L – 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 G. Rent expense for the year ended June 30, 2019 was \$175,870. Of this amount, \$65,667 was paid to the related party.

The Charter Schools of Excellence, Inc. leased equipment under operating leases, the cost of which is allocated to individual campuses. The School's portion of the rent expense for the year ended June 30, 2019 is \$33,754.

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

2020	\$ 167,792
2021	\$ 167,792
2022	\$ 163,704
2023	\$ 154,461

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.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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

BUDGET TO ACTUAL COMPARISON SCHEDULE - GENERAL FUND

For the year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
REVENUES:	Original	Final	Amounts	Final Budget
				Favorable
				(Unfavorable)
Federal, State sources				
Categorical programs and other	\$ 2,495,607	\$ 2,637,990	\$ 2,599,062	\$ (38,928)
Total Federal, State sources	2,495,607	2,637,990	2,599,062	(38,928)
Local sources				
Fundraising and contributions, net	-	112,000	243,879	131,879
Grants and other	271,084	183,700	230,237	46,537
Total local sources	271,084	295,700	474,116	178,416
Unrestricted investment earnings (loss), net	17	-	(604)	(604)
Total Revenues	2,766,708	2,933,690	3,072,574	138,884
EXPENDITURES:				
Current				
Instructional	1,375,980	1,220,355	1,255,018	(34,663)
Pupil personnel services	50,760	12,532	19,704	(7,172)
Instruction and curriculum development	-	-	-	-
Instructional staff training services	4,500	-	8,919	(8,919)
Board	10,000	11,000	42,757	(31,757)
School administration	456,040	1,021,671	661,483	360,188
Facilities acquisition and construction	-	14,644	-	14,644
Fiscal services	117,000	24,488	172,478	(147,990)
Food services	101,756	123,571	135,225	(11,654)
Central services	88,600	88,488	76,591	11,897
Pupil transportation services	80,000	51,300	51,300	-
Operation of plant	332,146	438,236	373,240	64,996
Maintenance of plant	70,000	93,000	50,025	42,975
Capital outlay	-	-	87,539	(87,539)
Debt Service				
Principal	-	-	46,400	(46,400)
Interest	-	15,000	11,253	3,747
Total Expenditures	2,686,782	3,114,285	2,991,932	122,353
Excess of Revenues Over Expenditures	79,926	(180,595)	80,642	261,237
OTHER FINANCING SOURCES (USES)				
Proceeds from note payable net of debt issuance costs	-	-	244,275	244,275
Total Other Financing Sources (Uses)	-	-	244,275	244,275
Net change in fund balance	79,926	(180,595)	324,917	505,512
Fund Balance - Beginning of Year	315,277	315,277	315,277	-
Fund Balance - End of Year	\$ 395,203	\$ 134,682	\$ 640,194	\$ 505,512

See Independent Auditor's Report.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
 A Charter School under The Charter Schools of Excellence, Inc. and
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REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014	2013
School's proportion of the net pension liability (asset)	0.001686331%	0.001468793%	0.001589406%	0.001496062%	0.000943401%	0.000863994%
School's proportionate share of the net pension liability (asset)	\$ 507,932	\$ 434,459	\$ 401,326	\$ 193,236	\$ 57,561	\$ 148,732
School's covered-employee payroll	\$ 950,124	\$ 831,724	\$ 807,699	\$ 693,646	\$ 474,930	\$ 393,278
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	53.46%	52.24%	49.69%	27.86%	12.12%	37.82%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	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.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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*

	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 48,059	\$ 38,236	\$ 38,760	\$ 36,475	\$ 20,664	\$ 11,627
Contributions in relation to the contractually required contribution	(48,059)	(38,236)	(38,760)	(36,475)	(20,664)	(11,627)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 950,124	\$ 831,724	\$ 807,699	\$ 693,646	\$ 474,930	\$ 393,278
Contributions as a percentage of covered-employee payroll	5.06%	4.60%	4.80%	5.26%	4.35%	2.96%

* 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.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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*

	2018	2017	2016	2015	2014	2013
School's proportion of the net pension liability (asset)	0.002908991%	0.002609312%	0.002616358%	0.002286370%	0.001598480%	0.001353724%
School's proportionate share of the net pension liability (asset)	\$ 307,891	\$ 279,000	\$ 304,926	\$ 233,174	\$ 149,462	\$ 117,859
School's covered-employee payroll	\$ 950,124	\$ 831,724	\$ 807,699	\$ 693,646	\$ 474,930	\$ 393,278
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.41%	33.54%	37.75%	33.62%	31.47%	29.97%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	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.

The Charter Schools of Excellence, Inc. #5271 Davie 1 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*

	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 15,776	\$ 13,809	\$ 13,411	\$ 8,740	\$ 5,476	\$ 4,434
Contributions in relation to the contractually required contribution	(15,776)	(13,809)	(13,411)	(8,740)	(5,476)	(4,434)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 950,124	\$ 831,724	\$ 807,699	\$ 693,646	\$ 474,930	\$ 393,278
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.26%	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.

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. #5271 Davie 1 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, 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 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered The Charter Schools of Excellence, Inc. #5271 Davie 1 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2019-01 and 2019-02 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether The Charter Schools of Excellence, Inc. #5271 Davie 1 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 *Governmental Auditing Standards*.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's Response to Findings

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



Fort Lauderdale, Florida
September 25, 2019

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. #5271 Davie 1 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, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 25, 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 on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards* and Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated September 25, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial 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 The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus (f/k/a Charter School of Excellence at Davie).

Financial Condition and Management

Section 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 Charter Schools of Excellence, Inc. #5271 Davie 1

Campus 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 Charter Schools of Excellence, Inc. #5271 Davie 1 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. #5271 Davie 1 Campus. It is management's responsibility to monitor The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus's financial condition, and our financial condition assessment was based in part on representations made by management and 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 identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses.

Transparency

Section 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 Charter Schools of Excellence, Inc. #5271 Davie 1 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. #5271 Davie 1 Campus maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not have any such recommendations.

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.



Fort Lauderdale, Florida
September 25, 2019

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
*A Charter School under The Charter Schools of Excellence, Inc. and
a Component Unit of The School Board of Broward County, Florida*
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

Finding 2019-01 – Financial Reporting

Criteria: The School is responsible for accurate financial reporting, which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records.

Condition: Our audit revealed several misstatements related to the following: (1) cut off and (2) the recording of expenses which resulted in the necessity of adjustments required to be recorded in order to present the financial statements in conformity with generally accepted accounting principles.

Cause: The condition results from School personnel not consistently adhering to the policies and procedures regarding the cash disbursements or reconciliations.

Potential effect: Failure to perform the procedures could result in misappropriation of assets and accounting errors.

Recommendation: We recommend the School improve their financial accounting process to ensure the fair presentation of reported and recorded financial information.

Views of responsible officials: Management will review procedures relating to reviewing financial statements, including reviewing bank reconciliations and postings to the general ledger. Management will try to identify weaknesses in procedures and conduct staff training where necessary.

Finding 2019-02 – Internal Account Deposits and Disbursements

Criteria: The School is responsible for accurate financial reporting, which includes detecting and preventing material misstatements in the financial statements, as well as within the underlying records.

Condition: The School recorded transactions from the internal bank accounts to income or expense based on total transactions on the bank statements, but did not itemize the postings to be consistent with the type of the income or expense.

Cause: The condition results from the bookkeeping function being performed by two different outside contractors. One of the outside contractors is maintaining the internal accounts while the other is maintaining the Full-Time Equivalent (FTE) accounts and producing the overall financial statements. The detail recorded by the contractor maintaining the internal accounts is not being recorded in the same fashion on the full general ledger maintained by the contractor producing the overall financial statements.

Potential effect: Failure to perform the procedures could result in misappropriation of assets and accounting errors.

Recommendation: We recommend the School review procedures and refine guidelines for recording of transactions maintained by the two different outside contractors so that all deposits and disbursements are properly recorded.

The Charter Schools of Excellence, Inc. #5271 Davie 1 Campus
*A Charter School under The Charter Schools of Excellence, Inc. and
a Component Unit of The School Board of Broward County, Florida*
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2019

Finding 2019-02 – Internal Account Deposits and Disbursements – Continued

Views of responsible officials: Management will adhere to the auditor's recommendation. Management will review procedures and try to identify weaknesses in procedures and conduct staff training where necessary.