

Duval Charter School at Southside

A Department of Renaissance Charter School, Inc.
(A Component Unit of the Duval County
School Board, Florida)

**Basic Financial Statements
For the Year Ended June 30, 2019**

Duval Charter School at Southside

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis (Not Covered by Independent Auditor's Report)	3-7
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position (Deficit)	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position (Deficit)	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	13
Statement of Revenues and Expenditures - Budget and Actual - General Fund	14
Statement of Revenues and Expenditures - Budget and Actual - Special Revenue Fund	15
Statement of Assets and Liabilities - Agency Fund	16
Notes to Basic Financial Statements	17-25
Other Independent Auditor's Reports	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	26-27
Independent Auditor's Report to the Board of Directors	28-29

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Duval Charter School at Southside
A Department of Renaissance Charter School, Inc.
Jacksonville, 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 Duval Charter School at Southside (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the Duval County School Board, 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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2019, and the respective changes in financial position, and respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of Renaissance Charter School, Inc. that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of Renaissance Charter School, Inc. as of June 30, 2019 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended, in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 9, 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 School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Duval Charter School at Southside (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the Duval County School Board, Florida (the "School Board"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2019 and 2018.

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

Financial Highlights

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

- As of June 30, 2019, the School's fund balances were \$ 345,455 as compared to \$ 258,426 at June 30, 2018.
- As of June 30, 2019, the School had net position (deficit) of \$ (1,967,087) as compared to \$ (1,891,262) at June 30, 2018.

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 basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements: The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private sector business.

The statement of net position presents information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the net position of the School is improving or deteriorating.

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

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

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

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

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

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

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

The Agency Fund financial statement can be found on page 16 of this report. The assets and liabilities of this Fund are not included in the government-wide statement of net position.

Notes to Basic Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 25 of this report.

Government-Wide Financial Analysis

This is the School's fifth year of operations; therefore, comparative government-wide data is presented. The School's net position (deficit) was \$ (1,967,087) at June 30, 2019. This amount represents net investment in capital assets (deficit) of \$ (2,280,767) and \$ 313,680 of unrestricted net position. The School's net position (deficit) was \$ (1,891,262) at June 30, 2018. This amount represents net investment in capital assets (deficit) of \$ (2,115,415) and \$ 224,153 of unrestricted net position.

**Duval Charter School at Southside
Management's Discussion and Analysis
June 30, 2019**

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

Duval Charter School at Southside Net Position (Deficit)		
	June 30, 2019	June 30, 2018
Assets:		
Current and other assets	\$ 1,001,415	\$ 1,375,622
Capital assets, net of depreciation	<u>12,875,072</u>	<u>13,286,087</u>
Total assets	<u>13,876,487</u>	<u>14,661,709</u>
Liabilities:		
Current liabilities	974,789	1,417,900
Noncurrent liabilities	<u>14,868,785</u>	<u>15,135,071</u>
Total liabilities	<u>15,843,574</u>	<u>16,552,971</u>
Net Position (Deficit):		
Net investment in capital assets (deficit) Unrestricted	(2,280,767)	(2,115,415)
	<u>313,680</u>	<u>224,153</u>
Total net position (deficit)	<u>\$ (1,967,087)</u>	<u>\$ (1,891,262)</u>

Current and other assets decreased due to a decrease in cash and cash equivalents. Noncurrent assets decreased due to current year depreciation expense. Current liabilities decreased due to a decrease in the amount due to the School's management company. Noncurrent liabilities decreased due to principal payments made on the School's capital lease payable.

Governmental Activities: The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2019 and 2018:

Duval Charter School at Southside Change in Net Position		
	June 30, 2019	June 30, 2018
Revenues:		
General revenues	\$ 6,350,595	\$ 5,837,157
Program revenues	<u>1,303,562</u>	<u>1,103,774</u>
Total revenues	<u>7,654,157</u>	<u>6,940,931</u>
Functions/Programs Expenses:		
Instruction	3,619,712	3,398,168
Instructional support services	2,272,314	1,928,862
Operation of noninstructional services	<u>1,837,956</u>	<u>1,677,694</u>
Total expenses	<u>7,729,982</u>	<u>7,004,724</u>
Change in net position	<u>\$ (75,825)</u>	<u>\$ (63,793)</u>

**Duval Charter School at Southside
Management’s Discussion and Analysis
June 30, 2019**

General revenues increased due to an enrollment increase of almost 70 students. Program revenues also increased due to the increase in enrollment as well as higher funding from operating grants. Both the increase in enrollment and the additional grant funding caused expenses to increase over the prior year.

Governmental Fund Expenditures

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

Functions/Programs	2019		2018	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 3,420,872	45%	\$ 3,173,972	47%
Debt service	1,365,113	18%	1,362,831	20%
Plant operations and maintenance	932,854	12%	794,182	12%
Administrative services	585,646	8%	478,152	7%
Student support services	290,628	4%	219,664	3%
All other functions/programs	972,006	13%	769,508	11%
Total governmental expenditures	\$ <u>7,567,119</u>	<u>100%</u>	\$ <u>6,798,309</u>	<u>100%</u>

Capital Assets and Debt Administration

Capital assets: At June 30, 2019, the School had capital assets of \$ 12,875,072, net of accumulated depreciation, invested in buildings, computer equipment and furniture, fixtures and equipment and improvements other than building compared to \$ 13,286,087 at June 30, 2018.

Debt: At June 30, 2019, the School had outstanding debt of \$ 15,155,839 compared to \$ 15,401,502 at June 30, 2018. Additional information on the School’s debt can be found in Notes 7 and 8 on pages 22 and 23.

General Fund Budgetary Highlights

Total revenues were in line with budgeted revenues for the year ended June 30, 2019. Total expenditures were unfavorable to budget mainly due to higher spending on instruction expenditures, specifically related to wages. The School also had higher spending on operation and maintenance of plant related expenditures. Overall, the School ended the year with a change in fund balance that was unfavorable to the budget by approximately \$195,000.

Economic Factors and Next Year’s Budget

In fiscal year 2019, the State of Florida increased its Florida Education Finance Program funding by approximately 2% and the capital outlay funding pool increased to \$ 145 million. In addition, an allocation was given to fund safe schools and mental health initiatives. A 2% merit increase was also paid out to eligible staff.

For fiscal year 2020, capital outlay revenue was assumed at an increase of 2% of the current rate per student. The budgets reflect the Florida Education Finance Program funding increase of \$ 175 per student. A 2% merit increase for all staff was budgeted as well as safety initiatives for security resource officers. All other expenditures are budgeted in alignment with enrollment changes and the School’s strategic objectives.

Requests for Information

If you have questions about this report or need additional information, please contact Lindsey Lennon, Controller - Schools; Charter Schools USA; 800 Corporate Drive, Suite 700; Fort Lauderdale, Florida 33334.

BASIC FINANCIAL STATEMENTS

**Duval Charter School at Southside
Statement of Net Position (Deficit)
June 30, 2019**

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 887,203
Due from other governments	50,035
Due from Trustee	32,154
Due from related parties	2,926
Other receivables	3,408
Prepaid items	11,848
Deposits	<u>13,841</u>
Total current assets	1,001,415
Noncurrent Assets:	
Capital assets (depreciable), net of accumulated depreciation	<u>12,875,072</u>
Total assets	<u>13,876,487</u>
Current Liabilities:	
Accounts payable and accrued expenses	92,336
Salaries and wages payable	310,475
Due to other governments	2,086
Compensated absences	23,838
Due to management company	251,054
Capital lease	<u>295,000</u>
Total current liabilities	<u>974,789</u>
Noncurrent Liabilities:	
Compensated absences	7,946
Capital lease	<u>14,860,839</u>
Total noncurrent liabilities	<u>14,868,785</u>
Total liabilities	<u>15,843,574</u>
Commitments (Note 10)	-
Net Position (Deficit):	
Net investment in capital assets (deficit)	(2,280,767)
Unrestricted	<u>313,680</u>
Total net position (deficit)	<u>\$ (1,967,087)</u>

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

Duval Charter School at Southside
Statement of Activities
For the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Activities</u>
					<u>Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 3,619,712	\$ -	\$ 153,897	\$ -	\$ (3,465,815)
Student support services	290,628	-	-	-	(290,628)
Instructional media services	4,318	-	-	-	(4,318)
Instruction and curriculum development services	19,523	-	6,522	-	(13,001)
Instructional staff training services	19,879	-	18,009	-	(1,870)
Instruction related technology	101,110	-	-	-	(101,110)
Board	30,232	-	230	-	(30,002)
School administration	585,646	-	8,906	-	(576,740)
Fiscal services	100,673	-	-	-	(100,673)
Food services	255,666	88,978	205,573	-	38,885
Central services	94,138	-	835	-	(93,303)
Operation of plant	987,007	-	41,095	-	(945,912)
Maintenance of plant	264,203	-	-	-	(264,203)
Community services	237,797	335,538	-	-	97,741
Interest on long-term debt	<u>1,119,450</u>	<u>-</u>	<u>-</u>	<u>443,979</u>	<u>(675,471)</u>
 Total governmental activities	 <u>\$ 7,729,982</u>	 <u>\$ 424,516</u>	 <u>\$ 435,067</u>	 <u>\$ 443,979</u>	 <u>(6,426,420)</u>
 General revenues:					
Grants and entitlements					6,310,613
Interest					39,918
Miscellaneous					<u>64</u>
 Total general revenues					<u>6,350,595</u>
 Change in net position					(75,825)
 Net position (deficit), July 1, 2018					<u>(1,891,262)</u>
 Net position (deficit), June 30, 2019					<u>\$ (1,967,087)</u>

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

**Duval Charter School at Southside
Balance Sheet - Governmental Funds
June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 887,203	\$ -	\$ -	\$ 887,203
Due from other governments	-	12,866	37,169	50,035
Due from Trustee	32,154	-	-	32,154
Due from related parties	2,926	-	-	2,926
Due from other funds	50,026	-	-	50,026
Other receivables	3,408	-	-	3,408
Prepaid items	11,848	-	-	11,848
Deposits	13,841	-	-	13,841
	<u>1,001,406</u>	<u>12,866</u>	<u>37,169</u>	<u>1,051,441</u>
Total assets	\$ <u>1,001,406</u>	\$ <u>12,866</u>	\$ <u>37,169</u>	\$ <u>1,051,441</u>
Liabilities:				
Accounts payable and accrued expenses	\$ 92,336	\$ -	\$ -	\$ 92,336
Salaries and wages payable	310,475	-	-	310,475
Due to other governments	2,086	-	-	2,086
Due to management company	251,054	-	-	251,054
Due to other funds	-	12,857	37,169	50,026
	<u>655,951</u>	<u>12,857</u>	<u>37,169</u>	<u>705,977</u>
Total liabilities	<u>655,951</u>	<u>12,857</u>	<u>37,169</u>	<u>705,977</u>
Deferred Inflows of Resources:				
Unearned revenues	-	9	-	9
	<u>-</u>	<u>9</u>	<u>-</u>	<u>9</u>
Commitments (Note 10)	-	-	-	-
Fund Balances:				
Nonspendable:				
Prepaid items	11,848	-	-	11,848
Deposits	13,841	-	-	13,841
Unassigned	319,766	-	-	319,766
	<u>345,455</u>	<u>-</u>	<u>-</u>	<u>345,455</u>
Total fund balances	<u>345,455</u>	<u>-</u>	<u>-</u>	<u>345,455</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>1,001,406</u>	\$ <u>12,866</u>	\$ <u>37,169</u>	\$ <u>1,051,441</u>

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

Duval Charter School at Southside
Reconciliation of the Balance Sheet of the Governmental Funds
to the Statement of Net Position (Deficit)
June 30, 2019

Total Fund Balances - Governmental Funds \$ 345,455

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

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position (deficit) includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

Cost of capital assets	\$ 15,605,455	
Accumulated depreciation	<u>(2,730,383)</u>	12,875,072

Unavailable revenue in the governmental funds is susceptible to full accrual in the government-wide statements. 9

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

Compensated absences	\$ (31,784)	
Capital lease	<u>(15,155,839)</u>	<u>(15,187,623)</u>

Net Position (Deficit) of Governmental Activities \$ (1,967,087)

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

**Duval Charter School at Southside
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:				
Federal through state	\$ -	\$ 248,367	\$ -	\$ 248,367
State sources	6,453,901	2,505	443,979	6,900,385
Local sources	169,858	-	-	169,858
Aftercare	335,538	-	-	335,538
	<u>6,959,297</u>	<u>250,872</u>	<u>443,979</u>	<u>7,654,148</u>
Expenditures:				
Instruction	3,412,340	8,532	-	3,420,872
Student support services	290,628	-	-	290,628
Instructional media services	4,318	-	-	4,318
Instruction and curriculum development services	13,001	6,522	-	19,523
Instructional staff training services	1,870	18,009	-	19,879
Instruction related technology	101,110	-	-	101,110
Board	30,002	230	-	30,232
School administration	576,740	8,906	-	585,646
Fiscal services	100,673	-	-	100,673
Food services	50,093	205,573	-	255,666
Central services	93,303	835	-	94,138
Operation of plant	668,651	-	-	668,651
Maintenance of plant	264,203	-	-	264,203
Community services	237,797	-	-	237,797
Capital outlay	106,593	2,077	-	108,670
Debt service:				
Principal	275,000	-	-	275,000
Interest	646,134	-	443,979	1,090,113
	<u>6,872,456</u>	<u>250,684</u>	<u>443,979</u>	<u>7,567,119</u>
Excess of revenues over expenditures	<u>86,841</u>	<u>188</u>	<u>-</u>	<u>87,029</u>
Other Financing Sources (Uses):				
Transfer out	-	(188)	-	(188)
Transfer in	188	-	-	188
	<u>188</u>	<u>(188)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	87,029	-	-	87,029
Fund Balances, July 1, 2018	<u>258,426</u>	<u>-</u>	<u>-</u>	<u>258,426</u>
Fund Balances, June 30, 2019	<u>\$ 345,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 345,455</u>

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

**Duval Charter School at Southside
Reconciliation of the Statement of Revenues,
Expenditures and Changes in Fund Balances of the
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2019**

Net Change in Fund Balances - Governmental Funds \$ 87,029

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, these costs are allocated over their estimated useful lives as a provision for depreciation.

Cost of capital assets	\$ 108,670	
Provision for depreciation	<u>(519,685)</u>	(411,015)

Principal payments on long-term debt are reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position (deficit). 275,000

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. 9

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

Change in compensated absences	\$ 2,489	
Provision for amortization of costs associated with capital lease	<u>(29,337)</u>	<u>(26,848)</u>

Change in Net Position of Governmental Activities \$ (75,825)

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

**Duval Charter School at Southside
Statements of Revenues and Expenditures -
Budget and Actual - General Fund
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
State sources	\$ 6,423,460	\$ 6,468,429	\$ 6,453,901	\$ (14,528)
Local sources	122,070	151,858	169,858	18,000
Aftercare	322,049	331,127	335,538	4,411
	<u>6,867,579</u>	<u>6,951,414</u>	<u>6,959,297</u>	<u>7,883</u>
Total revenues				
Expenditures:				
Instruction	3,229,993	3,329,959	3,412,340	(82,381)
Student support services	265,976	283,435	290,628	(7,193)
Instructional media services	-	4,318	4,318	-
Instruction and curriculum development services	6,623	17,622	13,001	4,621
Instructional staff training services	1,400	15,328	1,870	13,458
Instruction related technology	92,703	89,396	101,110	(11,714)
Board	18,646	24,155	30,002	(5,847)
School administration	485,793	562,367	576,740	(14,373)
Fiscal services	103,719	100,833	100,673	160
Food services	31,570	38,904	50,093	(11,189)
Central services	44,922	93,731	93,303	428
Operation of plant	810,279	637,525	668,651	(31,126)
Maintenance of plant	224,734	224,734	264,203	(39,469)
Community services	205,547	226,405	237,797	(11,392)
Capital outlay	147,900	99,916	106,593	(6,677)
Debt service:				
Principal	275,000	275,000	275,000	-
Interest	566,924	646,141	646,134	7
	<u>6,511,729</u>	<u>6,669,769</u>	<u>6,872,456</u>	<u>(202,687)</u>
Total expenditures				
Excess of revenues over expenditures	355,850	281,645	86,841	(194,804)
Other Financing Sources:				
Transfer in	-	-	188	188
	<u>-</u>	<u>-</u>	<u>188</u>	<u>188</u>
Net change in fund balance	\$ <u>355,850</u>	\$ <u>281,645</u>	\$ <u>87,029</u>	\$ <u>(194,616)</u>

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

**Duval Charter School at Southside
Statement of Revenues and Expenditures -
Budget and Actual - Special Revenue Fund
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Federal sources:				
National School Lunch Program	\$ 191,664	\$ 197,779	\$ 203,068	\$ 5,289
Title II	33,450	21,026	26,024	4,998
Title IV	-	9,272	19,087	9,815
Federal Emergency Management Agency	-	-	188	188
State sources:				
National School Lunch Program	-	1,253	2,505	1,252
Total revenues	<u>225,114</u>	<u>229,330</u>	<u>250,872</u>	<u>21,542</u>
Expenditures:				
Instruction	-	5,965	8,532	(2,567)
Instruction and curriculum development services	-	-	6,522	(6,522)
Instructional staff training services	33,450	20,554	18,009	2,545
Board	-	-	230	(230)
School administration	-	1,203	8,906	(7,703)
Food services	182,813	199,032	205,573	(6,541)
Central services	-	499	835	(336)
Community services	8,851	-	-	-
Capital outlay	-	2,077	2,077	-
Total expenditures	<u>225,114</u>	<u>229,330</u>	<u>250,684</u>	<u>(21,354)</u>
Excess of revenues over expenditures	-	-	188	188
Other Financing Sources (Uses):				
Transfer out	-	-	(188)	(188)
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Duval Charter School at Southside
Statement of Assets and Liabilities - Agency Fund
June 30, 2019

	<u>Student Activities</u>
Assets:	
Cash and cash equivalents	\$ <u>32,822</u>
Total assets	\$ <u><u>32,822</u></u>
Liabilities:	
Due to students	\$ <u>32,822</u>
Total liabilities	\$ <u><u>32,822</u></u>

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

Note 1 - Organization and Operations

Duval Charter School at Southside (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the Duval County School Board, Florida, was established in July 2014 as a public charter school to serve students from kindergarten to eighth grade in Duval County. Renaissance Charter School, Inc. is a Florida nonprofit corporation organized in August 1998. There were 917 students enrolled for the 2018/2019 school year.

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 Renaissance Charter School, Inc. as of June 30, 2019, and the changes in its 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. Renaissance Charter School Inc., (Note 10) is the entity that funded the purchase of the facility housing the School's operations. Accordingly, these basic financial statements only include balances, activity and disclosures related to the School.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring Duval County School Board. The current charter is effective until June 30, 2024, and may be renewed in increments of five years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter in which case the School Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. Duval Charter School at Southside is considered a component unit of the Duval County School Board.

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

The School's major governmental funds are as follows:

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

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

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

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

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

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

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

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

Income taxes: The School is a division of a nonprofit corporation. Revenue of the School is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

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

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

Building	45 years
Improvements other than building	10 years
Furniture, fixtures and equipment	5 years
Computer equipment	3 years

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category. The governmental funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.
- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.

Note 2 - Summary of Significant Accounting Policies (continued)

- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

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

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

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

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

Date of management review: Subsequent events were evaluated by management through September 9, 2019, which is the date the financial statements were available to be issued.

Note 3 - Cash and Cash Equivalents

At June 30, 2019, the carrying amount of the deposits and cash on hand totaled \$ 920,025, with a bank balance of \$ 921,816.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository and are covered by the collateral pool because the School has identified itself as a public entity.

Note 4 - Due From Related Parties

The School is a Department of Renaissance Charter School, Inc. ("RCS"). As of June 30, 2019, RCS owes the School \$ 388 for board of directors expenses that were prepaid by the School.

Both the School and Duval Charter Scholars Academy ("DCSA") are related, as they share common board membership and are Departments of RCS. As of June 30, 2019, the financial statements include an amount due from DCSA for a shared employee in the General Fund of \$ 2,538.

Duval Charter School at Southside
Notes to Basic Financial Statements
June 30, 2019

Note 5 - Due From Trustee

Due from Trustee at June 30, 2019 consists of \$ 32,154 related to accrued interest in the debt service accounts.

Note 6 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2019 are as follows:

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets, depreciable:				
Buildings	\$ 14,131,703	\$ -	\$ -	\$ 14,131,703
Furniture, fixtures and equipment	665,794	15,624	-	681,418
Computer equipment	657,488	90,947	-	748,435
Improvements other than building	<u>41,800</u>	<u>2,099</u>	-	<u>43,899</u>
Total capital assets, depreciable	<u>15,496,785</u>	<u>108,670</u>	<u>-</u>	<u>15,605,455</u>
Accumulated depreciation:				
Buildings	1,151,473	314,037	-	1,465,510
Furniture, fixtures and equipment	453,690	134,081	-	587,771
Computer equipment	601,182	67,248	-	668,430
Improvements other than building	<u>4,353</u>	<u>4,319</u>	-	<u>8,672</u>
Total accumulated depreciation	<u>2,210,698</u>	<u>519,685</u>	<u>-</u>	<u>2,730,383</u>
Net capital assets	<u>\$ 13,286,087</u>	<u>\$ (411,015)</u>	<u>\$ -</u>	<u>\$ 12,875,072</u>

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$ 201,329
Operation of plant	<u>318,356</u>
	<u>\$ 519,685</u>

Note 7 - Capital Lease

The School entered into a capital lease arrangement with Red Apple at Southside, LLC for use of its facility, furniture, fixtures and equipment and computer equipment. This lease arrangement was entered into as part of a transaction consisting of a bond issuance by Renaissance Charter School, Inc. and Red Apple Development, Inc. (Note 10). The lease requires monthly principal and interest payments through June 2044. As of June 30, 2019, the net book value of the leased facility, furniture, fixtures and equipment and computer equipment is approximately \$ 12,725,000. Amortization of the leased facilities, furniture, fixtures and equipment and computer equipment is included with depreciation expense.

Duval Charter School at Southside
Notes to Basic Financial Statements
June 30, 2019

Note 7 - Capital Lease (continued)

Future minimum payments at June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 295,000	\$ 1,070,369	\$ 1,365,369
2021	315,000	1,046,941	1,361,941
2022	345,000	1,021,347	1,366,347
2023	370,000	993,784	1,363,784
2024	400,000	964,056	1,364,056
2025-2029	2,160,000	4,437,513	6,597,513
2030-2034	2,880,000	3,713,356	6,593,356
2035-2039	3,880,000	2,710,772	6,590,772
2040-2044	5,244,264	1,346,275	6,590,539
	<u>\$ 15,889,264</u>	<u>\$ 17,304,413</u>	<u>\$ 33,193,677</u>

Note 8 - Long-Term Liabilities

Changes in the School's long-term liabilities for fiscal year ended June 30, 2019, are as follows:

	<u>Balance at July 1, 2018</u>	<u>Additions</u>	<u>Retirements</u>	<u>Amortization</u>	<u>Balance at June 30, 2019</u>	<u>Amount Due Within One Year</u>
Capital lease obligations, net of unamortized costs of \$ 733,425	\$ 15,401,502	\$ -	\$ 275,000	\$ 29,337	\$ 15,155,839	\$ 295,000
Compensated absences	34,273	11,275	13,764	-	31,784	23,838
	<u>\$ 15,435,775</u>	<u>\$ 11,275</u>	<u>\$ 288,764</u>	<u>\$ 29,337</u>	<u>\$ 15,187,623</u>	<u>\$ 318,838</u>

Note 9 - Employee Benefit Plan

During the year ended June 30, 2019, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

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

Note 9 - Employee Benefit Plan (continued)

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the year ended June 30, 2019, the School contributed a matching amount of \$ 15,251.

Note 10 - Commitments

Management agreement: The School has a formal agreement with Charter Schools USA, Inc. ("CSUSA") to manage, staff and operate the School. The agreement states that CSUSA shall be entitled to cost reimbursements and management fees (the "fee") for its services, subject to availability of funds. The fee is subordinated to all lease payment requirements (Note 7). Total cost reimbursement and management fees amounted to \$ 97,764 for the year ended June 30, 2019. The fee ranges from \$ 1,457,830 for fiscal year 2020 to \$ 3,052,373 for fiscal year 2045 as defined in the agreement or the budgeted amount approved by the Board of Directors based on enrollment and School performance. The agreement expires in June 2024. It will automatically renew for five-year periods unless terminated by either party.

The School has an amount of \$ 251,054 due to CSUSA for the year ending June 30, 2019 for expenses paid on behalf of the School.

Lease agreement: In October 2014, the Florida Development Finance Corporation (the "Corporation") issued \$ 45,015,000 in Tax Exempt Educational Facilities Revenue Bonds, Series 2014A and \$ 8,160,000 in Taxable Educational Facilities Revenue Bonds, Series 2014B pursuant to an Indenture of Trust between the Corporation and a trustee to make a loan to Renaissance Charter Schools, Inc. ("REN"), a division of which the School exists, and Red Apple Development, LLC and subsidiaries ("RAD") to finance the acquisition of the facilities of three charter schools existing under Renaissance Charter Schools, Inc. In order to secure the payment of the principal and interest on the bonds, the Corporation assigned all of its rights and interest in the loan agreement to the trustee. The bonds are payable from and secured by a lien upon and pledge of payments to be received by the trustee.

Concurrent with the preceding loan transaction, RAD, through its wholly-owned subsidiaries, entered into three lease agreements with REN. The facilities which are owned by RAD are leased by REN on behalf of the schools under a 45-year lease (Note 7). The leases are deemed to be capital leases and the capital lease payments are based on the debt service requirements of the bonds which extend through June 2044. These payments are made from the revenues received from the Duval County School Board for the operation of the Schools. REN is obligated under the Indenture to deposit all Charter revenues received from the School Board and additional revenues, if any, directly with the trustee during the term of the lease. The payments are applied by the trustee to make sinking fund payments and pay for operating expenses.

In addition to the capital lease payments noted in Note 7, the School is required to pay incremental rent payments to RAD. The incremental rent payments range from approximately \$ 140,600 to \$ 294,400 per year over the term of the agreement which is through June 2045. For the year ending June 30, 2019, the incremental rent was waived.

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

Note 11 - Capital Appropriations Funding

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring School Board. The School's CSCO Award totaled \$ 443,979 for the 2018/2019 school year which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay a portion of interest expense on the capital lease.

Note 12 - Risk Management

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

As disclosed in Note 10, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

OTHER INDEPENDENT
AUDITOR'S REPORTS

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

To the Board of Directors
Duval Charter School at Southside
A Department of Renaissance Charter School, Inc.
Jacksonville, 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 Duval Charter School at Southside (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the Duval County School Board, 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 9, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 9, 2019

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Duval Charter School at Southside
A Department of Renaissance Charter School, Inc.
Jacksonville, Florida

Report on the Financial Statements

We have audited the financial statements of Duval Charter School at Southside (the "School"), a Department of Renaissance Charter School, Inc. and a component unit of the Duval County School Board, Florida, as of and for the year ended June 30, 2019, and have issued our report thereon dated September 9, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 9, 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. There were no recommendations made in the preceding 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 are Duval Charter School at Southside and 165551.

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

Additional Matters

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 9, 2019