

***SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.***  
***A Charter School and Component Unit of the***  
***District School Board of Broward County, Florida***

***BASIC FINANCIAL STATEMENTS AND***  
***SUPPLEMENTAL INFORMATION***

***Year Ended June 30, 2019***

**Sunshine Elementary Charter School, Inc.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Sunshine Elementary Charter School, Inc.  
*A Charter School and Component Unit of the  
District School Board of Broward County, Florida*  
Hollywood, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sunshine Elementary Charter School, Inc. ("SECS"), a charter school and component unit of the District School Board of Broward County, Florida, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statements, which collectively comprises Sunshine Elementary Charter School, Inc.'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 each major fund of SECS, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 - 7 and 25 - 26 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 28, 2019, on our consideration of SECS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SECS's internal control over financial reporting and compliance.

*Infante + Company*

Hollywood, FL  
September 28, 2019

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

Our discussion and analysis of the Sunshine Elementary Charter School, Inc.'s ("SECS") financial program provides an overview of SECS's financial activities for the year ended June 30, 2019.

Because the information contained in this discussion is intended to highlight significant transactions, it should be read in conjunction with SECS's financial statements which begin on page 7.

For financial statement purposes, SECS is considered a component unit of the District School Board of Broward County, Florida, which is a primary government entity for financial reporting. SECS has included separate statements for the Balance Sheet of Governmental Funds and the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds. The Fund Financial Statements reflect financing activities of SECS by providing information on inflows and outflows of spendable resources, while the Statement of Net Assets and the Statement of Activities provide information on the activities of SECS.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of SECS's financial position. Included in these statements are all assets and liabilities using the accrual method of accounting. All of the current year's revenues and expenses are recorded when received.

*The Statement of Net Position* presents information on all of SECS's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of SECS is improving or deteriorating.

*The Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

### ***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.

*Governmental Funds* - All of SECS's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the SECS's governmental activities and the basic services it provides.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

*Notes to the Financial Statements*

The *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The Notes to the Financial Statements can be found on pages 14 – 24 of this report.

**HIGHLIGHTS**

On May 1, 2019, Capital Trust Agency issued Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019A in the aggregate principal amount of \$7,470,000 (the “Series 2019A Bonds”) and its Taxable Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019B, in the aggregate principal amount of \$390,000 (the “Series 2019B Bonds” and together with the Series 2019A Bonds, the “Series 2019 Bonds”) pursuant to the terms of an Indenture of Trust (the “Indenture”), by and between SECS and Capital Trust Agency and US Bank Trust, as trustee (the “Trustee”) as financing for the purchase of land, building and future improvements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of SECS’s financial position. SECS’s assets exceeded liabilities by \$93,049 and \$682,987 at June 30, 2019 and June 30, 2018, respectively.

**NET POSITION**

	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>Variance</b></u>
Current assets	\$1,576,606	\$ 709,468	\$ 867,138
Capital assets	<u>6,580,619</u>	<u>134,234</u>	<u>6,446,385</u>
Total assets	<u><b>\$8,157,225</b></u>	<u><b>\$ 843,702</b></u>	<u><b>\$ 7,313,523</b></u>
Current liabilities	\$ 204,176	\$ 160,715	\$ 43,461
Long-Term liabilities	<u>7,860,000</u>	<u>-</u>	<u>7,860,000</u>
Total liabilities	<u><b>8,064,176</b></u>	<u><b>160,715</b></u>	<u><b>7,903,461</b></u>

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Net position			
Investment in capital assets	(1,279,381)	134,234	(1,413,615)
Unrestricted	455,580	548,753	(93,173)
Restricted	<u>916,850</u>	<u>20,858</u>	<u>895,992</u>
Total net position	<u>93,049</u>	<u>682,987</u>	<u>(610,796)</u>
Total liabilities and net position	<u>\$ 8,157,225</u>	<u>\$ 843,702</u>	<u>\$ 7,313,523</u>

As previously noted, SECS purchased the building it was renting through an educational bond issuance on May 1, 2019 which is why there are large increases in capital assets and long-term liabilities.

Revenues for governmental activities totaled \$3,017,197 and \$2,923,759 for the years ended June 30, 2019 and 2018, respectively. The main source of revenue was from the Florida Education Finance Program ("FEFP"). This revenue represented approximately 74% and 75% for 2019 and 2018 of total revenue, respectively. The Federal Lunch Program allows for breakfast and lunch for the students and is the major component of federal funds received.

<u>Revenue Source</u>	<u>2019</u>	<u>2018</u>	<u>Variance</u>
State passed through local school	\$ 2,428,105	\$ 2,326,714	\$ 46,543
Federal passed through local schools	471,609	440,618	30,991
Other revenue	<u>117,483</u>	<u>101,579</u>	<u>15,904</u>
Total	<u>\$ 3,017,197</u>	<u>\$ 2,923,759</u>	<u>\$ 93,438</u>

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

Expenses for major functions of SECS are shown in the following table:

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Instruction	\$ 1,358,554	\$ 1,252,182	\$ 106,372
Pupil personnel services	34,997	32,409	2,588
Instructional media services	2,941	-	2,941
Instruction and curriculum development services	55,171	53,492	1,679
Instructional related technology	11,184	8,888	2,296
Instructional staff training	1,152	-	1,152
Board expenses	60,686	143,248	(82,562)
General expenses	91,075	-	91,075
School administration	287,536	263,746	23,790
Facilities acquisition & construction	17,268	357,008	(339,740)
Fiscal services	83,398	82,528	870
Food services	286,641	266,900	19,741
Pupil transportation	108,126	104,556	3,570
Operation of plant	558,227	230,499	327,728
Maintenance of plant	65,655	34,228	31,427
Community services	27,979	43,706	(15,727)
Debt issuance costs	481,058	-	481,058
Debt service	<u>75,488</u>	<u>-</u>	<u>75,488</u>
Totals	\$ 3,607,136	\$ 2,873,390	\$ 733,746

**FUND FINANCIAL ANALYSIS**

Key highlights for the fiscal years ended June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>	<u>Variance</u>
Revenues	\$ 3,017,197	\$ 2,923,759	\$ 93,438
Expenditures	(10,053,520)	(2,922,489)	(7,131,031)
Other financing sources	<u>7,860,000</u>	<u>-</u>	<u>7,860,000</u>
Change in fund balance	<u>823,677</u>	<u>1,270</u>	<u>(7,037,593)</u>
Fund balance, beginning of year	<u>548,753</u>	<u>547,483</u>	<u>1,270</u>
Fund balance, end of year	<u>\$ 1,372,430</u>	<u>\$ 548,753</u>	<u>\$ 823,677</u>



**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2019**

**CURRENT YEAR VS PRIOR YEAR RESULTS – FUND BASIS**

The 2018 – 2019 school year was the thirteenth year that SECS enrolled students. Total revenue was \$3,017,197 and \$2,923,759 for the years ended June 30, 2019 and 2018, respectively. The increase in revenue was the result of the school receiving an increase in FEFP funding, an increase in capital outlay funds and an increase in the lunch and breakfast program revenue. Total expenses were \$10,053,520 and \$2,922,489 for the years ended June 30, 2019 and 2018, respectively. The increase in expenses is primarily attributable to the purchase of the building along with the debt issuance costs associated with the bond funding which on a fund basis get recorded as an expense.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenue was \$18,004 greater than budgeted as SECS didn't anticipate the additional rental income of \$22,646 when the budgets for fiscal year ended June 30, 2019 were prepared.

There are a number of variances between the various functions that were not considered material for discussion, but ultimately led to actual expenses being approximately \$33,000 more than budgeted.

**DEBT MANAGEMENT**

As previously noted, SECS purchased its building that it was renting through the issuance of revenue educational bonds. The total outstanding bonds payable at June 30, 2019 was \$7,860,000 and the total balance is classified as long-term debt due after one year.

**PROSPECTS FOR THE FUTURE**

On May 1<sup>st</sup>, 2019, SECS purchased the building they were renting. There are unoccupied buildings on the property which were not used in the past year, and SECS plans to explore their options of utilizing this new found space.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Sunshine Elementary Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sunshine Elementary Charter School, Inc., 502 N. 28 Avenue, Hollywood, Florida 33020.

**Sunshine Elementary Charter School, Inc.  
A Charter School and Component Unit of the  
District School Board of Broward County, Florida**

**Statement of Net Position  
June 30, 2019**

		Governmental Activities
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$	665,171
Prepaid expenses		2,705
Accounts receivable		15,426
Restricted cash held by trustee		893,304
Total current assets		1,576,606
<b>CAPITAL ASSETS</b>		
Land		2,879,980
Capital assets, net of accumulated depreciation		
Building, furniture, fixtures and equipment		3,700,639
Total capital assets		6,580,619
Total assets	\$	8,157,225
<b>LIABILITES AND NET POSITION</b>		
<b>CURRENT LIABILITES</b>		
Salaries and wages payable	\$	135,871
Accounts payable		68,305
Due to other agencies		-
Total current liabilities		204,176
<b>NON-CURRENT LIABILITIES</b>		
Portion due within one year		
Bonds payable		-
Portion due after one year		
Bonds payable		7,860,000
Total non-current liabilities		7,860,000
Total liabilities		8,064,176
<b>NET POSITION</b>		
Investment in Capital Assets		(1,279,381)
Unrestricted		455,580
Restricted		916,850
Total net position		93,049
Total liabilities and net position	\$	8,157,225

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

**Sunshine Elementary Charter School, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Statement of Activities**  
**For the Year Ended June 30, 2019**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities					
Instruction	\$ 1,358,554	\$ -	\$ 126,897	\$ -	\$ (1,231,657)
Pupil personnel services	34,997	-	-	-	(34,997)
Instructional media services	2,941	-	-	-	(2,941)
Instruction and curriculum development services	55,171	-	39,250	-	(15,921)
Instructional staff training	1,152	-	277	-	(875)
Instructional related technology	11,184	-	-	-	(11,184)
Board expenses	60,686	-	-	-	(60,686)
General	91,075	-	-	-	(91,075)
School administration	287,536	-	-	-	(287,536)
Facilities acquisition & construction	17,268	-	-	-	(17,268)
Fiscal services	83,398	-	-	-	(83,398)
Food services	286,641	42	285,507	-	(1,092)
Pupil transportation	108,126	-	-	-	(108,126)
Operation of plant	558,227	-	-	150,926	(407,301)
Maintenance of plant	65,655	-	-	-	(65,655)
Community services	27,979	-	-	-	(27,979)
Debt issuance costs	481,058	-	-	-	(481,058)
Debt service	75,488	-	-	-	(75,488)
Total governmental activities	\$ 3,607,136	\$ 42	\$ 451,931	\$ 150,926	(3,004,237)
General Revenues					
State through local school district					2,277,179
Investment earnings					229
Miscellaneous revenues					136,891
Total General Revenues					2,414,299
Change in net position					(589,938)
Net position, July 1, 2018					682,987
Net position, June 30, 2019					\$ 93,049

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

**Sunshine Elementary Charter School, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Balance Sheet - Governmental Funds**  
**June 30, 2019**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b>ASSETS</b>					
Cash	\$ 665,171	\$ -	\$ -	\$ -	\$ 665,171
Due from funds	5,175	25,749	37,744	-	68,668
Prepaid expenses	2,705	-	-	-	2,705
Accounts receivable	10,251	-	-	5,175	15,426
Restricted cash held by trustee	-	-	561,831	331,473	893,304
Total Assets	\$ 683,302	\$ 25,749	\$ 599,575	\$ 336,648	\$ 1,645,274
<b>LIABILITIES</b>					
Salaries and wages payable	\$ 134,047	\$ 1,824	\$ -	\$ -	\$ 135,871
Accounts payable	30,182	379	37,744	-	68,305
Due to funds	63,493	-	-	5,175	68,668
Due to other agencies	-	-	-	-	-
Total Liabilities	227,722	2,203	37,744	5,175	272,844
<b>FUND BALANCES</b>					
Nonspendable	2,705	-	-	-	2,705
Restricted	-	-	561,831	331,473	893,304
Committed	-	-	-	-	-
Assigned	-	23,546	-	-	23,546
Unassigned	452,875	-	-	-	452,875
Total Fund Balances	455,580	23,546	561,831	331,473	1,372,430
Total Liabilities and Fund Balances	\$ 683,302	\$ 25,749	\$ 599,575	\$ 336,648	\$ 1,645,274

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

**Sunshine Elementary Charter School, Inc.  
A Charter School and Component Unit of the  
District School Board of Broward County, Florida**

**Reconciliation of the Balance Sheet of Governmental Funds  
to the Statement of Net Position  
June 30, 2019**

Fund Balance - Governmental Funds	\$	1,372,430
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds</p>		
Governmental capital assets	\$	6,772,957
Less accumulated depreciation		<u>(192,338)</u>
		6,580,619
<p>Debt proceeds are reported as financing sources in the capital projects fund and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing bond debt increases long-term liabilities and does not affect the Statement of Activities.</p>		
		<u>(7,860,000)</u>
Net Position of Governmental Activities	\$	<u><u>93,049</u></u>

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

**Sunshine Elementary Charter School, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

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

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total
<b>REVENUES</b>					
Federal passed through local school district	\$ 19,678	\$ 451,931	\$ -	\$ -	\$ 471,609
State passed through local school district	2,277,179	-	-	150,926	2,428,105
Interest income	-	-	143	85	228
Other revenue	117,213	42	-	-	117,255
<b>TOTAL REVENUES</b>	<b>2,414,070</b>	<b>451,973</b>	<b>143</b>	<b>151,011</b>	<b>3,017,197</b>
<b>EXPENDITURES/EXPENSES</b>					
Instruction	1,230,635	126,897	-	-	1,357,532
Pupil personnel services	34,997	-	-	-	34,997
Instructional media services	2,941	-	-	-	2,941
Instruction and curriculum development services	15,921	39,250	-	-	55,171
Instructional staff training	875	277	-	-	1,152
Instructional related technology	11,184	-	-	-	11,184
Board expenses	60,686	-	-	-	60,686
General	91,075	-	-	-	91,075
School administration	285,825	-	-	-	285,825
Facilities acquisition & construction	110	-	-	6,483,291	6,483,401
Fiscal services	83,398	-	-	-	83,398
Food services	-	282,861	-	-	282,861
Pupil transportation	108,126	-	-	-	108,126
Operation of plant	394,065	-	-	150,926	544,991
Maintenance of plant	65,655	-	-	-	65,655
Community services	27,979	-	-	-	27,979
Debt service:					
Repayment of principal	-	-	-	-	-
Bond issuance costs	-	-	481,058	-	481,058
Interest	-	-	75,488	-	75,488
Total expenditures	<u>2,413,472</u>	<u>449,285</u>	<u>556,546</u>	<u>6,634,217</u>	<u>10,053,520</u>
Excess (defici) of revenues over expenses	598	2,688	(556,403)	(6,483,206)	(7,036,323)
<b>Other Financing Sources</b>					
Proceeds from bonds payable	-	-	-	7,860,000	7,860,000
Transfers in	-	-	1,118,234	72,913	1,191,147
Transfers (out)	<u>(72,913)</u>	<u>-</u>	<u>-</u>	<u>(1,118,234)</u>	<u>(1,191,147)</u>
Total Other Financing Sources	(72,913)	-	1,118,234	6,814,679	7,860,000
Net Change in Fund Balance	(72,315)	2,688	561,831	331,473	823,677
Fund balances, July 1, 2018	<u>527,895</u>	<u>20,858</u>	<u>-</u>	<u>-</u>	<u>548,753</u>
Fund balances, June 30, 2019	<u>\$ 455,580</u>	<u>\$ 23,546</u>	<u>\$ 561,831</u>	<u>\$ 331,473</u>	<u>\$ 1,372,430</u>

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

**Sunshine Elementary Charter School, Inc.  
A Charter School and Component Unit of the  
District School Board of Broward County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balances of Governmental Funds  
to the Statement of Activities  
June 30, 2019**

Net Change in fund balances - governmental funds	\$	823,677
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	\$	6,488,439	
Less current year depreciation		<u>(42,054)</u>	6,446,385

The proceeds from debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.		<u>(7,860,000)</u>
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Change in Net Position of Governmental Activities	\$	<u><u>(589,938)</u></u>
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The accompanying notes are an integral part of these basic financial statements.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

1. Reporting entity

Sunshine Elementary Charter School, Inc. (“SECSS”) operates as a Charter School pursuant to a Charter School Contract (“the Contract”) with the District School Board of Broward County, Florida (“the District”). Under the Contract, SECS provides an elementary school education to children who reside in Broward County. The governing body of SECS is the Board of Directors.

The general operating authority of SECS is under Florida Statutes 228.056(7) as a Charter School Contract with the District School Board of Broward County, Florida. Under the Charter, SECS provides education to children from kindergarten through the fifth grade in Broward County. The Contract was extended and is now effective through June 30, 2021.

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

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net assets and a statement of activities. These statements report information on all of the nonfiduciary activities of SECS. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as SECS does not engage in any business type activities.

Net assets, the difference between assets and liabilities, as presented in the statement of net assets, are subdivided into three categories: amounts invested in capital assets, restricted net assets; and unrestricted net assets. Net assets are reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, or laws or regulations of other governments, or enabling legislation.

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net assets for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function. Indirect expenses are costs SECS has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.



**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and it establishes the following classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

- Nonspendable fund balance - includes amounts that are not in a spendable form or are required to be maintained intact and that are not expected to be converted to cash.
- Restricted fund balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. Effectively, restrictions may be changed or lifted only with the consent of resource providers.
- Committed fund balance - includes amounts that can be used only for the specific purposes determined by a formal action of SECS's highest level of decision-making authority. Commitments may be changed or lifted only by SECS taking the same formal action that imposed the constraint originally.
- Assigned fund balance - comprises amounts intended to be used by SECS for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.
- Unassigned fund balance - the residual classification for the general fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the general fund.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

2. Government-wide and fund financial statements (continued)

Separate fund financial statements report detailed information about SECS's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. All of SECS's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government - wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, considered to be sixty days. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt is recorded as expenditures only when payment is due.

SECS's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. SECS reports the following major governmental funds:

General Fund — the general operating fund of SECS. It is used to account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes such as Title I, IDEA funds and the National Federal Lunch Program.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

Debt Service Fund – to account for the proceeds and servicing of debt sources that are legally restricted to expenditures for loan agreement related to the bond issuance.

Capital Projects Fund - to account for the proceeds Capital Outlay and other revenues that are legally restricted to expenditures for capital projects.

SECS has a revenue spending policy that provides policy for programs with multiple revenue sources. The board of directors will use resources in the following hierarchy: debt proceeds, federal funds, state funds, local non-city funds, city funds and funds passed through the District. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The board of directors has the authority to deviate from this policy if it is in the best interest of the school.

4. Budgetary basis of accounting

SECS's annual budgets are adopted for the entire operations for SECS and may be amended by the Board of Directors (the "Board"). Since the budgetary basis differs from generally accepted accounting principles ("GAAP"), budget and actual amounts in the accompanying required supplementary information are presented on the budgetary basis. A reconciliation of revenues over expenditures presented in conformity with GAAP is set forth in the adjustments to the required supplementary information.

5. Cash

Cash is made up of cash on hand at SECS and/or checking accounts held at a financial institution.

6. Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by SECS as assets with an initial individual cost of more than \$750 and an estimated useful life of more than two years. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. For the year ended June 30, 2019, SECS recorded net capital assets of \$6,580,619.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

6. Capital assets (continued)

Property, plant and equipment of SECS are depreciated using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Building	35
Improvements other than building	20
Computer equipment	3
Furniture, fixture and equipment	6-7

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

7. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District to SECS pursuant to the funding provisions included in SECS's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, SECS reports 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 (FDE) for funding through the Florida Education Finance Program (FEFP). Funding for SECS is adjusted during the year to reflect revised calculations by the FDE under the FEFP and actual weighted FTE students reported by SECS during designated FTE student survey periods.

SECS receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**A Charter School and Component Unit of the**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

9. Income taxes

SECS is a non-profit organization and is tax exempt under Section 501(c)(3) of the Internal Revenue Code.

SECS is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. SECS's federal income tax returns for 2016-2019 remain subject to examination by major tax jurisdictions.

**NOTE B - CONCENTRATIONS**

1. Revenue sources

As stated in Note A-7, SECS receives revenues for current operations primarily from the State of Florida through the District. The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
State funding through local district	\$ 2,428,105
Federal passed through local district	471,609
Other	<u>117,483</u>
	<u>\$ 3,017,197</u>

2. Cash

Under Chapter 280, Florida Statutes, SECS's deposits must be placed in banks and savings and loans which are qualified as public depositories. SECS maintains cash deposits at a bank in Florida. Deposits at the bank are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the banks pledging Securities with the State Treasurer and collateral pool. As of June 30, 2019, there were no uninsured deposit balances.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE C – CAPITAL ASSETS**

Capital assets activity for the year ended June 30, 2019 was as follows:

	Balance at June 30, 2018	Additions	Adjustments and Deletions	Balance at June 30, 2019
Capital assets depreciated:				
Building	\$ -	\$ 3,603,311	\$ -	\$ 3,603,311
Improvements & equipment	125,928	-	-	125,928
Furniture, fixtures & equipment	<u>158,591</u>	<u>5,148</u>	<u>-</u>	<u>163,739</u>
Total assets depreciated	<u>\$ 284,519</u>	<u>\$ 3,608,459</u>	<u>\$ -</u>	<u>\$3,892,978</u>
Capital assets not being depreciated				
Land	<u>\$ -</u>	<u>\$ 2,879,980</u>	<u>\$ -</u>	<u>\$ 2,879,980</u>
Total assets not depreciated	<u>\$ -</u>	<u>\$ 2,879,980</u>	<u>\$ -</u>	<u>\$ 2,879,980</u>
Total capital assets	<u>\$ 284,519</u>	<u>\$ 6,488,439</u>	<u>\$ -</u>	<u>\$ 6,772,958</u>
Less Accumulated depreciation				
Building	\$ -	\$ 17,159	\$ -	\$ 17,159
Improvements & equipment	18,599	13,235	-	31,834
Furniture, fixtures & equipment	<u>131,687</u>	<u>11,659</u>	<u>-</u>	<u>143,346</u>
Total assets depreciated	<u>\$ 150,286</u>	<u>\$ 42,053</u>	<u>\$ -</u>	<u>\$ 192,339</u>
Total governmental activities				
Capital assets, net				<u>\$ 6,580,619</u>

Depreciation expense of \$42,054 was charged between the instruction, food services, administration, facilities and acquisition and plant operation functions for the year ended June 30, 2019.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**A Charter School and Component Unit of the**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE D - COMMITMENTS**

On January 1, 2012, SECS signed a non-cancelable operating lease with another charter school effective July 1, 2012 for a new facility. In April 2013, the lease was amended to extend the term to 15 years commencing August 1, 2013 with static increases in 2014 and 2015 followed by increases of 2% annually starting in 2016. On May 1<sup>st</sup>, 2019 this lease was terminated as a result of SECS purchasing the building through a bond issuance (see Note F). In addition, SECS leases a copier and modular portable classrooms. Rent expense for the year ended June 30, 2019 was \$323,268.

Future minimum lease payments required under the lease agreements are approximately as follows:

June 30:		
2019	\$	21,685
2020		18,834
2021		<u>15,984</u>
Total	\$	<u>56,503</u>

**NOTE E – RELATED PARTY**

As discussed in Note D, SECS shares a facility with another charter school, Paragon Academy of Technology, Inc. (“PAT”). Effective May 1, 2019, PAT entered into a lease agreement with SECS to rent a portion of the facility that SECS purchased through the bond issuance. The schools also share certain administrative and maintenance employees, costs to operate the facility and SECS administers the National School Lunch Program for PAT. At June 30, 2019, the total amount owed from PAT for reimbursement of shared costs was \$10,251. Total rent expense received from PAT for the year ended June 30, 2019 was \$22,646.

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE F – BONDS PAYABLE**

On May 1, 2019, Capital Trust Agency issued Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019A in the aggregate principal amount of \$7,470,000 (the “Series 2019A Bonds”) and its Taxable Educational Facilities Revenue Bonds (Paragon Academy of Technology and Sunshine Elementary Charter School Project) Series 2019B, in the aggregate principal amount of \$390,000 (the “Series 2019B Bonds” and together with the Series 2019A Bonds, the “Series 2019 Bonds”) pursuant to the terms of an Indenture of Trust (the “Indenture”), by and between SECS and Capital Trust Agency and US Bank Trust, as trustee (the “Trustee”) as financing for the purchase of land, building and future improvements. The Series 2019A and 2019B bonds were issued with an underwriter’s discount totaling \$196,500 and that amount was recorded as an expense in the financial statements as part of the debt issuance costs. The total bond payable was \$7,860,000 and it’s classified as long term as the first principal payment isn’t due until at June 1, 2021.

The costs to issue the 2019A and 2019B bonds were \$284,558 and they are being expensed in the statement of changes in net assets as SECS is following GASB 65, *Items Previously Reported as Assets and Liabilities*.

The project fund was created as a result of the bond issuance to repair sidewalks and install sewers at the property. The project fund had a balance of \$300,992 at June 30, 2019. In addition, a reserve fund was created as result of the bond issuance and as of June 30, 2019, it maintained a balance of \$561,831. At the time of issuance, a cost of issuance account was created to pay the various fees associated with issuing the bond. At June 30, 2019, this account had a balance of \$30,481. These three funds are all recorded as restricted in the accompanying financial statements.

As noted in Note D to the financial statements, SECS entered into a lease agreement with PAT that matures in June 1, 2054, the same date as the maturity of the bond. The lease payments will be applied towards the monthly principal and interest payments owed for the bond payments and PAT is required to maintain certain financial covenants to ensure they meet their obligations.

SECS is required to maintain certain financial covenants that do not begin until the fiscal year ended June 30, 2020. In addition, there are additional administrative covenants that SECS must follow to remain in compliance with the indenture.

The Series 2019B bonds shall be dated as of their date of original issuance, and shall mature on June 1, 2028, and bear interest payable semiannually on June 1 and December 1 of each year, commencing as of December 1, 2019, at the interest rate per annum of 6%. The principal payments which are required to be made are as set forth below:



**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE F – BONDS PAYABLE (continued)**

<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
2021	\$ 10,000	2025	\$ 55,000
2022	20,000	2026	70,000
2023	30,000	2027	80,000
2024	40,000	2028 *	85,000

2019A bond bears interest payable each June 1 and December 1, commencing December 1, 2019, with an interest rate of 5.75%. The Series 2019A Bonds maturing on June 1, 2054, are subject to principal payments starting on June 1, 2028, and on each June 1 thereafter until and including June 1, 2054, at 100% of the principal amount thereof, plus accrued interest to the redemption date, from mandatory payments which are required to be made as set forth below:

<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Payment Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>
2028	\$ 10,000	2043	\$285,000
2029	130,000	2044	300,000
2030	140,000	2045	320,000
2031	145,000	2046	340,000
2032	155,000	2047	355,000
2033	165,000	2048	380,000
2034	175,000	2049	400,000
2035	185,000	2050	425,000
2036	195,000	2051	445,000
2037	205,000	2052	475,000
2038	215,000	2053	500,000
2039	230,000	2054 *	530,000
2040	240,000		
2041	255,000		
2042	270,000		

\*Stated maturity

SECS is required to make monthly payments of \$41,244 on the 15<sup>th</sup> of each month to satisfy the above principal and interest payments for both the Series 2019A and 2019B bond obligations, trustee and other miscellaneous fees. The Trustee is authorized to withdraw these amounts from the school's operating account for SECS to be in compliance with the bond obligations.

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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

**NOTE F – BONDS PAYABLE (continued)**

Following are maturities of long-term debt for each of the next five years and thereafter:

June 30,	
2020	\$ -
2021	10,000
2022	20,000
2023	30,000
2024	40,000
Thereafter	<u>7,760,000</u>
Total	<u>\$ 7,860,000</u>

**NOTE G - RISK MANAGEMENT**

SECS is exposed to various risks of loss related to theft, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. SECS purchases commercial insurance for all material risks of loss to which SECS is exposed, including general liability, property and workers compensation.

SECS did not have any settlements that exceeded insurance coverage for the years ended June 30, 2017 – 2019.

**NOTE H – DATE OF MANAGEMENT’S REVIEW**

Management has evaluated subsequent events through September 28, 2019, which is the date the financial statements became available to be issued.

**REQUIRED SUPPLEMENTAL INFORMATION**

**Sunshine Elementary Charter School, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended June 30, 2019**  
**(Unaudited)**

	Original Budget	Final Budget	General Fund	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Federal passed through local school district	\$ 19,678	\$ 19,678	\$ 19,678	\$ -
State passed through local school district	2,283,526	2,283,526	2,277,179	6,347
Interest income	-	-	-	-
Other revenue	92,862	92,862	117,213	(24,351)
<b>Total revenues</b>	<b>2,396,066</b>	<b>2,396,066</b>	<b>2,414,070</b>	<b>(18,004)</b>
<b>Expenses</b>				
Instruction	1,198,151	1,198,151	1,230,635	(32,484)
Pupil personnel services	69,424	69,424	34,997	34,427
Instructional media services	-	-	2,941	(2,941)
Instruction and curriculum development services	-	-	15,921	(15,921)
Instructional staff training	-	-	875	(875)
Instructional related technology	-	-	11,184	(11,184)
Board expenses	32,277	32,277	60,686	(28,409)
General	90,730	90,730	91,075	(345)
School administration	316,175	316,175	285,825	30,350
Facilities acquisition & construction	9,754	9,754	110	9,644
Fiscal services	81,422	81,422	83,398	(1,976)
Pupil transportation	110,067	110,067	108,126	1,941
Operation of plant	389,376	389,376	394,065	(4,689)
Maintenance of plant	43,708	43,708	65,655	(21,947)
Community services	39,218	39,218	27,979	11,239
Debt service	-	-	-	-
<b>Total expenses</b>	<b>2,380,302</b>	<b>2,380,302</b>	<b>2,413,472</b>	<b>(33,170)</b>
<b>Revenues over Expenditures</b>	<b>15,764</b>	<b>15,764</b>	<b>598</b>	<b>15,166</b>
<b>Other Financing Sources</b>				
Transfers in	-	-	-	-
Transfers out	-	-	(72,913)	72,913
<b>Total Other Financing Sources</b>	<b>-</b>	<b>-</b>	<b>(72,913)</b>	<b>72,913</b>
Fund Balance, July 1, 2018	527,895	\$ 527,895	\$ 527,895	-
Fund Balance, June 30, 2019	\$ 543,659	\$ 543,659	\$ 455,580	\$ 88,079

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

**Sunshine Elementary Charter School, Inc.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Schedule of Revenues, Expenditures and Changes**  
**In Fund Balances - Budget and Actual**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2019**  
**(Unaudited)**

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues</b>				
Federal passed through local school district	\$ 350,408	\$ 383,194	\$ 451,931	\$ (68,737)
State passed through local school district	-	-	-	-
Interest income	-	-	-	-
Other revenue	-	42	42	-
	350,408	383,236	451,973	(68,737)
<b>Expenses</b>				
Instruction	75,075	85,457	126,897	(41,440)
Pupil personnel services	1,233	18,250	-	18,250
Instructional media services	-	-	-	-
Instruction and curriculum development services	32,175	-	39,250	(39,250)
Instructional staff training	-	-	277	(277)
Instructional related technology	-	-	-	-
Board expenses	-	-	-	-
School administration	-	-	-	-
Facilities acquisition & construction	-	-	-	-
Fiscal services	-	-	-	-
Food services	241,295	279,529	282,861	(3,332)
Pupil transportation	-	-	-	-
Operation of plant	-	-	-	-
Maintenance of plant	-	-	-	-
Community services	-	-	-	-
	349,778	383,236	449,285	(66,049)
Revenues over Expenditures	630	-	2,688	(2,688)
<b>Other Financing Sources</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	-	-	-	-
Total Other Financing Sources	-	-	-	-
Fund Balance, July 1, 2018	20,858	20,858	20,858	-
Fund Balance, June 30, 2019	\$ 21,488	\$ 20,858	\$ 23,546	\$ (2,688)

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



Members of:

- American Institute of CPAs
  - Center for Audit Quality
  - Employee Benefit Plan Audit Quality Center
  - Government Audit Quality Center
  - Private Companies Practice Section
  - Tax Division
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**INDEPENDENT AUDITORS' 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 Members of Sunshine Elementary Charter School, Inc.  
*A Charter School and Component Unit of the  
District School Board of Broward County, Florida*  
Hollywood, 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 each major fund of Sunshine Elementary Charter School, Inc., ("SECS", a nonprofit organization), a charter school and component unit of the District 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 Sunshine Elementary Charter School, Inc.'s basic financial statements and have issued our report thereon dated September 28, 2019.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SECS'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SECS's internal control. Accordingly, we do not express an opinion on the effectiveness of SECS's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses as item 2019-01 that we consider to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SEC's financial statements are free of 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*.

### **School's Response to Finding**

The School's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The School'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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



September 28, 2019  
Hollywood, Florida

**SUNSHINE ELEMENTARY CHARTER SCHOOL, INC.**  
**A Charter School and Component Unit of the**  
**District School Board of Broward County, Florida**

**Schedule of Current Year Findings and Responses**

**JUNE 30, 2019**

**Material Weaknesses**

**2019-01 – Material Adjusting Journal Entries**

**Criteria**

SECS has an internal policy whereby if there are material or complex transactions that occur during the fiscal year that they are to discuss them in detail with the outside accountant to ensure they are reviewed, approved and properly recorded in the books and records of SECS.

**Condition**

We reported material audit adjustments totaling \$751,058 to financial statements related to the issuance of the bonds during the year.

**Context**

The material audit adjustments were noted through our testing of certain asset, liability and expenses/expenditures accounts.

**Effect**

Had we not recorded the material audit adjustments, the financial statements of the SECS would be materially misstated.

**Cause**

SECS did not follow its policy to review complex and material transaction in detail with the outside accountant to ensure they are properly reviewed, approved and recorded.

**Recommendation**

We recommend that SECS follow its internal procedures to ensure that all material and complex transactions are properly reviewed, approved and recorded on a timely basis with the outside accountant.

**Views of Responsible Officials and Planned Corrective Actions**

We discussed this finding with our third party CPA and are in agreement that if we do enter into any additional material or complex transactions that we will be in direct contact with them to ensure the transaction is properly recorded.





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**Management Letter as Required by the Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of Sunshine Elementary Charter School, Inc., Florida,  
a Charter School and Component Unit of the District School Board  
of Broward County, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Sunshine Elementary Charter School, Inc., Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 28, 2019.

**Auditor's Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 28, 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 findings and recommendations made in the preceding annual financial audit report.

## **Official Title**

Section 10.854(1)(e)5, Rules of the Auditor General, requires 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 Sunshine Elementary Charter School, Inc. and 5400.

## **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 Sunshine Elementary Charter School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Sunshine Elementary Charter School, Inc. 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 Sunshine Elementary Charter School, Inc. It is management's responsibility to monitor the Sunshine Elementary Charter School, Inc.'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. See our Independent Auditors' Reports 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* for recommendations to improve financial management reported therein.

## **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 Sunshine Elementary Charter School, Inc. 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 Sunshine Elementary Charter School, Inc. 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

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

*Infante & Company*

Infante & Company  
Hollywood, FL  
September 28, 2019