

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS' REPORTS THEREON**

JUNE 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Report of Independent Auditors on Basic Financial Statements and Supplementary Information	1-2
Management's Discussion and Analysis	3-11
Basic Financial Statements:	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Notes to Financial Statements	18-32
Other Supplementary Information:	
Budgetary Comparison Schedule – General Fund	33-34
Report of Independent Auditors 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>	35-36
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i>:	
Management Letter	37-39

Sotolongo & Associates, P.A.

Certified Public Accountants

Report of Independent Auditors on Basic Financial Statements and Supplementary Information

To the Board of Directors of
Downtown Doral Charter
Elementary School, Inc.
Doral, 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 Downtown Doral Charter Elementary School, Inc. (the "School"), a charter school sponsored by the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2016, 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 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 Downtown Doral Charter Elementary School, Inc. as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 schedule on pages 3 through 11, and 33 through 34, respectively, 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 August 29, 2016, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Downtown Doral Charter Elementary School, Inc.'s internal control over financial reporting and compliance.

Sotolongo & Associates, P.A.

Miami, Florida
August 29, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Downtown Doral Charter Elementary School, Inc. (the "School") presents Management's Discussion and Analysis, which is intended to provide an overview of the School's financial position and changes in financial position for the fiscal year ended June 30, 2016.

Since the focus of the Management's Discussion and Analysis (MD&A) is on the current year activities, resulting changes and currently known facts, it should be read in conjunction with the School's financial statements, including the accompanying notes.

INITIAL YEAR OF THE SCHOOL

The School year 2015-2016 was the initial year of school operations for the School. The School is a multicultural, multilingual elementary school which served 415 students during the 2015-2016 year in grades kindergarten through third. The School is expected to grow by the 2019-2020 school year to serve an estimated 768 students in grades kindergarten through fifth. The School also offers a preschool program, as well as before school and after school care services. The School is located on the southeast corner of 84th Avenue and 53rd Street, Doral, Florida on approximately 3.42 acres, and has a space of approximately 53,000 square feet.

In August 2015, the School began the 2015-2016 school year in its newly constructed state-of-the-art facility, which is equipped with the latest educational related technology. The School offers a unique dual language curriculum, which aims to prepare students to excel in a complex global society. Students have a choice of two tracks: Spanish or Portuguese. In addition, math, science and social studies are also taught in both English and the selected foreign language. For the 2015-2016 school year, the School opened with enrollment at full capacity for grades kindergarten through third, as well as the preschool.

Prior to the 2015-2016 school year, the School was undergoing certain planning activities related primarily to the School's facility construction and future School operations, which are summarized below:

Charter Agreement

In June 2014, the School entered into a Charter School Contract (the "Charter") by and between the School and the School Board of Miami-Dade County (the "School Board"). The term of the Charter runs from the first day of school, which was the 2015-2016 school year through June 30, 2020, and may be renewed for additional five-year terms at the sole discretion of the School Board.

Series 2014 Bonds

In August 2014, the Florida Development Finance Corporation Educational Facilities Revenue Bonds, Series 2014A, were issued in the aggregate principal amount of \$21,505,000 (the "Series 2014A Bonds"), and the Florida Development Finance Corporation Taxable Educational Facilities Revenue Bonds, Series 2014B, in the aggregate principal amount of \$320,000 (the "Series 2014B Bonds" and together with the Series 2014A Bonds, referred to as the "Series 2014 Bonds") were issued.

The proceeds of the Series 2014 Bonds were loaned by the Florida Development Finance Corporation (the "Issuer") to the School, and were used by the School (i) to acquire, construct, and equip certain charter school facility (the "Facility"), which is located on land subject to a Ground Lease (described below) with the School Board and improvements thereto (collectively, the "Project") and to prepay the rent under the Ground Lease for the entire initial term thereof, (ii) to fund a Debt Service Reserve Fund for the Series 2014 Bonds, (iii) to fund capitalized interest with respect to the Series 2014 Bonds through September 1, 2016, and (iv) to pay the costs of issuance of the Series 2014 Bonds. The Bonds are being issued pursuant to a certain Indenture of Trust dated as of August 1, 2014, by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee"). See additional information regarding the Series 2014 Bonds in Note 5 to the financial statements.

Loan Agreement

In connection with the Series 2014 Bonds, the School entered into a Loan Agreement (the "Loan Agreement"), dated as of August 1, 2014, pursuant to which the issuer loaned the proceeds of the Series 2014 Bonds to the School. The School's payment of principal and interest will be used to pay principal of and interest on the Series 2014 Bonds. The obligations of the School under the Loan Agreement are secured by (i) a mortgage interest in the Facilities (which mortgage will consist of a leasehold mortgage interest in the Ground Lease and school facilities pursuant to the Loan Agreement), (ii) an assignment of and security interest in certain School revenues, and (iii) a security interest in all other assets of the School related to the Project, excluding property prohibited by law from being pledged as security because it has been purchased or refinanced with federal or state grant funds.

Ground Lease Agreement

Pursuant to a Ground Lease Agreement, dated as of October 30, 2013 (the "Ground Lease"), the School leased certain land from the School Board, which was used for the development and construction of the Project. See additional information pertaining to the Ground Lease in Note 3 to the financial statements.

Program Management

In October 2013, the School entered into an agreement with the School Board to act as the program manager for the design and construction of the Project. The School is required to pay 5% of the total Project cost, as set forth in the program budget described in the agreement.

Management Agreement

In July 2014, the School also entered into a Management Agreement, with the School Board that will provide operational, management and administrative services to the School. See additional information in Note 4 to the financial statements.

FINANCIAL HIGHLIGHTS

- At June 30, 2016, the School had total assets of approximately \$21,051,773.
- At June 30, 2016, the School had a cash balance of \$1,328,529.
- For the year ended June 30, 2016, the School had completed the initial acquisition and construction of its facilities and capital equipment. Capital assets, net, at June 30, 2016, was \$14,838,633.
- At June 30, 2016, the School had total liabilities of \$23,759,101, of which \$22,825,000 is long-term debt.
- For the year ended June 30, 2016, the School had total revenue of \$4,247,555.
- For the year ended June 30, 2016, the School had reduction in its net position of \$797,268.
- At June 30, 2016, total net position was a deficit of \$2,707,328.
- For the year ended June 30, 2016, the School had an increase in its general fund balance of \$1,297,578.
- For the year ended June 30, 2016, the total reduction in net changes in fund balances was \$1,800,071.
- At June 30, 2016, the total combined governmental funds balance was \$5,279,039.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – Management's Discussion and Analysis (this section), and the basic financial statements and the notes thereto. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data.

This document also includes the independent auditors' report on compliance and internal control required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	Government-wide Statements	Fund Statements Governmental Funds
Scope	Entire School	The activities of the School that are not proprietary or fiduciary
Required financial statements	Statement of net position Statement of activities	Balance sheet Statement of revenues, expenditures and changes in fund balances
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets/deferred outflows and liabilities/deferred inflows, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

Government-wide Financial Statements

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how they have changed. Net position – the difference between the School's assets and deferred outflows and liabilities and deferred inflows – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional nonfinancial factors, such as changes in the School's projected student base.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here, such as instruction and school administration.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

Fund Financial Statements

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School has the following types of funds:

- *General Fund* – is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.
- *Special Revenue Fund* – accounts for specific revenue, such as federal grants and capital outlay grants that are legally restricted to expenditures for particular purposes. For the year ended June 30, 2016, the School did not use a special revenue fund.
- *Capital Projects Fund* – to account for the financial resources accumulated that are restricted for capital outlays.
- *Debt Service Reserve Fund* – to account for the financial resources accumulated for the purpose of servicing and setting aside reserves for payments related to principal and interest.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The following table provides the School's net position as of June 30, 2016 and 2015:

	2016	2015	Amount Increase (Decrease)	% Change
Cash	\$ 1,328,529	\$ 40,849	\$ 1,287,680	3152%
Accounts receivable	9,669	-	9,669	
Prepaid expenses	63,696	20,219	43,477	215%
Inventories	132,325	-	132,325	
Restricted cash - Escrow	-	50,185	(50,185)	-100%
Restricted cash equivalents - Trustee	4,632,613	8,361,242	(3,728,629)	-45%
Vendor deposit	46,308	-	46,308	
Capital Assets/Construction in Progress	14,838,633	13,835,830	1,002,803	7%
Total assets	<u>21,051,773</u>	<u>22,308,325</u>	<u>(1,256,552)</u>	-6%
Current and other liabilities	934,101	1,393,385	(459,284)	-33%
Long-term liabilities	<u>22,825,000</u>	<u>22,825,000</u>	<u>-</u>	0%
Total liabilities	<u>23,759,101</u>	<u>24,218,385</u>	<u>(459,284)</u>	-2%
Net position (deficit):				
Restricted	4,632,613	8,361,242	(3,728,629)	-45%
Unrestricted	<u>(7,339,941)</u>	<u>(10,271,302)</u>	<u>2,931,361</u>	-29%
Total net position (deficit)	<u><u>\$ (2,707,328)</u></u>	<u><u>\$ (1,910,060)</u></u>	<u><u>\$ (797,268)</u></u>	42%

For the fiscal year ended June 30, 2016, the increase in cash was a result of general fund activities providing cash flow. Inventories increased as a result of a large acquisition of supplies and books to be used in the 2016-2017 school year, in which the School will add a fourth grade class. The School's restricted cash decreased as a result of acquisitions of capital assets and scheduled payments of interest. Capital assets increased as a result of continued capital expenditures related to the School's facility. The decrease in current and other liabilities was primarily the result of the School paying certain accrued liabilities related to facilities construction during the fiscal year. Long-term liabilities did not change as no scheduled principal payments were due. See additional information related to capital assets and long-term liabilities in Notes 2 and 5 to the financial statements, respectively.

Change in Net Position

The following table summarizes the changes in the School's net position from its activities for the fiscal years ended June 30, 2016 and 2015:

Governmental Activities	2016	2015	Amount Increase (Decrease)	%
Revenues:				Change
State sources	\$ 3,052,315	\$ -	\$ 3,052,315	
Federal sources	149,883	-	149,883	
Preschool and after school care	903,765	-	903,765	
Contributions and grants	125,024	143,359	(18,335)	-13%
Other	16,568	-	16,568	
Total revenues	4,247,555	143,359	4,104,196	2863%
Expenses:				
Instruction	2,030,623	-	2,030,623	
Instructional support	55,707	-	55,707	
Instructional media	17,718	-	17,718	
Instruction related technology	72,451	-	72,451	
Board	21,534	-	21,534	
General administration	295,863	135,784	160,079	118%
School administration	336,138	68,521	267,617	391%
Fiscal services	52,078	-	52,078	
Central services	3,208	-	3,208	
Student transportation services	150	-	150	
Operation and maintenance of plant	289,197	-	289,197	
Community services	193,773	-	193,773	
Debt issuance costs	-	702,917	(702,917)	-100%
Trustee fees related to debt service	4,500	-	4,500	
Interest on long-term debt	1,386,975	1,255,983	130,992	10%
Preschool - instruction and other	284,908	-	284,908	
Total expenses	5,044,823	2,163,205	2,881,618	133%
Change in net position	\$ (797,268)	\$ (2,019,846)	\$ 1,222,578	-61%

For the year ended June 30, 2016, increases in revenues and expenses resulted from the school year 2015-2016 being the initial year of School operations.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Financial information is presented separately in the Balance Sheet and in the Statement of Revenues, Expenditures, and Changes in Fund Balance.

At June 30, 2016, the School had a combined fund balance of \$5,279,039. The total combined fund balance was greater than the government wide net position, primarily because the total of the debt proceeds from the Series 2014 Bonds and related party promissory note described in Note 5 to the financial statements have exceeded the total expenditures to date pertaining to the capital assets, interest, principal retirement, debt issuance costs and other general and administrative expenses. For the year ended June 30, 2016, combined net changes in fund balance was a reduction of \$1,800,071, which was primarily the result of combined expenditures for current activities, debt service, and capital outlay exceeding combined fund revenues. The General Fund had a fund balance of \$1,358,243, which increased during the year by \$1,297,578 primarily as a result of general fund revenue exceeding current general fund expenditures. The Capital Projects Fund had a fund balance of \$940,061, which decreased by \$1,710,682 primarily as a result of expenditures for capital outlay related to the School's facility. The Debt Service Fund had a fund balance of \$2,980,735, which decreased by \$1,386,967 as a result of interest payments on long-term debt. At June 30, 2016, the fund balances of the Capital Projects Fund and Debt Service Fund are restricted in use pursuant to certain legal requirements related to Series 2014 Bonds.

BUDGETARY COMPARISON SCHEDULE

During the year ended June 30, 2016, the School's actual general fund revenues exceeded the final budget by approximately \$1,000,000. General fund expenditures exceeded the final budget by approximately \$366,000. These variances were primarily the result of more enrollment than anticipated in grades kindergarten through third, and additional enrollment in preschool and after school care resulting in additional revenue and expenditures.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2016, the School had capital assets with a balance of \$14,838,633, net of accumulated depreciation and amortization. During the year ended June 30, 2016 the school invested in capital assets pertaining to leasehold improvements, furniture and equipment, and technology (classroom) equipment. At June 30, 2016, the School had a vendor deposit of approximately \$46,000 related to a planned leasehold improvement of the School's physical education field. The estimated total costs of the planned leasehold improvements are \$140,000. More detailed information about the School's capital assets is presented in Note 2 to the financial statements.

Long-term Liabilities

At June 30, 2016, the School had \$22,825,000 in long-term liabilities outstanding. For the year ended June 30, 2016, there were no scheduled principal reductions for long-term debt. Prior to the year ended June 30, 2016, the School incurred long-term liabilities pertaining to the issuance of the Series 2014 Bonds and related party promissory note. More detailed information about the School's long-term liabilities is presented in Note 5 to the financial statements.

SCHOOL YEAR 2016-2017

For the 2016-2017 school year, the School's original budget reflects the combined government fund revenues to be \$5,236,434, which is an increase of \$988,879 over the year ended June 30, 2016 combined government fund revenues. Budgeted combined government fund expenditures are expected to be \$5,372,113, which is a decrease of \$675,513 under the year ended June 30, 2016 combined government fund expenditures. Significant capital expenditures are not anticipated for the 2016-2017 school year. In addition, for the 2016-2017 school year the School is adding a fourth grade class.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 8390 NW 53rd Street, Doral, Florida 33166.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2016

ASSETS	<u>Governmental Activities</u>
Cash	\$ 1,328,529
Accounts receivable	9,669
Prepaid expenses	63,696
Inventories	132,325
Restricted cash equivalents - Trustee	4,632,613
Vendor deposit	46,308
Capital Assets:	
Leasehold improvements	\$ 9,878,496
Furniture and equipment	474,744
Technology equipment	516,396
Prepaid ground lease	<u>4,519,753</u>
Total capital assets	15,389,389
Less accumulated depreciation and amortization	<u>(550,756)</u>
Capital assets, net	<u>14,838,633</u>
Total assets	<u><u>\$ 21,051,773</u></u>
LIABILITIES	
Salaries payable and other accrued liabilities	\$ 240,613
Interest payable	693,488
Long-term debt:	
Promissory note - related party	1,000,000
Bonds payable	<u>21,825,000</u>
Total liabilities	<u>23,759,101</u>
NET POSITION (DEFICIT)	
Restricted	4,632,613
Unrestricted	<u>(7,339,941)</u>
Total net position (deficit)	<u>(2,707,328)</u>
Total liabilities and net position	<u><u>\$ 21,051,773</u></u>

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

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

	Program Revenues				Net (Expense) Revenue and Changes in Net position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:						
Instruction	\$ 2,030,623	\$ -	\$ 215,820	\$ -	\$ (1,814,803)	\$ (1,814,803)
Instructional support	55,707	-	39,265	-	(16,442)	(16,442)
Instructional media	17,718	-	8,000	-	(9,718)	(9,718)
Instruction related technology	72,451	-	-	-	(72,451)	(72,451)
Board	21,534	-	3,914	-	(17,620)	(17,620)
General administration	295,863	-	-	-	(295,863)	(295,863)
School administration	336,138	-	-	-	(336,138)	(336,138)
Fiscal services	52,078	-	-	-	(52,078)	(52,078)
Central services	3,208	-	-	-	(3,208)	(3,208)
Student transportation services	150	-	-	-	(150)	(150)
Operation and maintenance of plant	289,197	-	-	-	(289,197)	(289,197)
Community services	193,773	340,885	-	-	147,112	147,112
Trustee fees related to debt service	4,500	-	-	-	(4,500)	(4,500)
Interest on long-term debt	1,386,975	-	-	-	(1,386,975)	(1,386,975)
Preschool - instruction and other	284,908	562,880	-	-	277,972	277,972
Total governmental activities	\$ 5,044,823	\$ 903,765	\$ 266,999	\$ -	\$ (3,874,059)	\$ (3,874,059)
			General revenues:			
					3,052,315	3,052,315
					7,908	7,908
					16,568	16,568
					<u>3,076,791</u>	<u>3,076,791</u>
					(797,268)	(797,268)
					<u>(1,910,060)</u>	<u>(1,910,060)</u>
					<u>\$ (2,707,328)</u>	<u>\$ (2,707,328)</u>

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

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2016**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Fund</u>
ASSETS				
Cash	\$ 1,328,529	\$ -	\$ -	\$ 1,328,529
Accounts receivable	9,669	-	-	9,669
Prepaid expenses	63,696	-	-	63,696
Inventories	132,325	-	-	132,325
Restricted cash equivalents - Trustee	64,637	893,753	3,674,223	4,632,613
Vendor deposit	-	46,308	-	46,308
	<u>-</u>	<u>46,308</u>	<u>-</u>	<u>46,308</u>
Total assets	<u>\$ 1,598,856</u>	<u>\$ 940,061</u>	<u>\$ 3,674,223</u>	<u>\$ 6,213,140</u>
LIABILITIES AND FUND BALANCE				
Salaries payable and other accrued liabilities	\$ 240,613	\$ -	\$ -	\$ 240,613
Interest payable	-	-	693,488	693,488
	<u>-</u>	<u>-</u>	<u>693,488</u>	<u>693,488</u>
Total liabilities	<u>240,613</u>	<u>-</u>	<u>693,488</u>	<u>934,101</u>
Fund balance:				
Nonspendable	196,021	46,308	-	242,329
Restricted	64,637	893,753	2,980,735	3,939,125
Unassigned	1,097,585	-	-	1,097,585
	<u>1,097,585</u>	<u>-</u>	<u>-</u>	<u>1,097,585</u>
Total fund balance	<u>1,358,243</u>	<u>940,061</u>	<u>2,980,735</u>	<u>5,279,039</u>
Total liabilities and fund balance	<u>\$ 1,598,856</u>	<u>\$ 940,061</u>	<u>\$ 3,674,223</u>	<u>\$ 6,213,140</u>

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

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

JUNE 30, 2016

Total fund balance – governmental funds **\$ 5,279,039**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. These assets consist of:

Leasehold improvements	\$	9,878,496	
Furniture and equipment		474,744	
Technology equipment		516,396	
Prepaid ground lease		4,519,753	
Total capital assets		15,389,389	
Less accumulated depreciation and amortization		(550,756)	
Capital assets, net			14,838,633

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds payable		(21,825,000)	
Promissory note - related party		(1,000,000)	
			(22,825,000)

Total net position – governmental activities **\$ (2,707,328)**

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

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2016

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
State sources	\$ 3,052,315	\$ -	\$ -	\$ 3,052,315
Federal sources	149,883	-	-	149,883
Preschool and after school care	903,765	-	-	903,765
Contributions and grants	125,024	-	-	125,024
Other	16,548	6	14	16,568
	<u>4,247,535</u>	<u>6</u>	<u>14</u>	<u>4,247,555</u>
Total revenues				
EXPENDITURES				
Current:				
Instruction	1,590,019	-	-	1,590,019
Instructional support	55,707	-	-	55,707
Instructional media	11,854	5,863	-	17,717
Instruction related technology	72,451	-	-	72,451
Board	21,534	-	-	21,534
General administration	295,863	-	-	295,863
School administration	225,987	-	-	225,987
Fiscal services	52,078	-	-	52,078
Central services	3,208	-	-	3,208
Student transportation services	150	-	-	150
Operation and maintenance of plant	289,197	-	-	289,197
Community services	193,773	-	-	193,773
Preschool - instruction and other	284,908	-	-	284,908
Debt service				
Trustee fees related to debt service	-	-	4,500	4,500
Interest on long-term debt	-	-	1,386,975	1,386,975
Capital outlay				
Facilities, construction, furniture and equipment	-	1,553,559	-	1,553,559
	<u>3,096,729</u>	<u>1,559,422</u>	<u>1,391,475</u>	<u>6,047,626</u>
Total expenditures				
Excess (Deficiency) of revenues over (under) expenditures	1,150,806	(1,559,416)	(1,391,461)	(1,800,071)
Other financing sources:				
Transfers in	166,657	15,385	4,500	186,542
Transfers out	(19,885)	(166,651)	(6)	(186,542)
	<u>1,297,578</u>	<u>(1,710,682)</u>	<u>(1,386,967)</u>	<u>(1,800,071)</u>
Net changes in fund balances				
Fund balance at beginning of year	60,665	2,650,743	4,367,702	7,079,110
Fund balance at end of year	<u>\$ 1,358,243</u>	<u>\$ 940,061</u>	<u>\$ 2,980,735</u>	<u>\$ 5,279,039</u>

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

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2016

Net changes in fund balances – total governmental funds **\$ (1,800,071)**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlay is reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation and amortization.

The amount by which capital outlays exceed depreciation and amortization is calculated as follows:

Capital outlays:			
Leasehold improvements	\$	1,357,152	
Furniture and equipment		139,915	
Technology equipment		56,492	
Total		<u>1,553,559</u>	
Depreciation and amortization		<u>(550,756)</u>	1,002,803

Change in net position of governmental activities **\$ (797,268)**

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

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE – 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Downtown Doral Charter Elementary School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The School was organized in November 2012, and its general operating authority is contained in Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation's Board of Directors. The School's mission is to provide its students with a comprehensive dual curriculum and bicultural/bilingual education through language acquisition and innovative programs, facilitated by a highly qualified staff promoting students' academic excellence creating future world leaders.

The School year 2015-2016 was the initial year of school operations for the School. The School is a multicultural, multilingual elementary school serving grades kindergarten through fifth. For the 2015-2016 school year, the School served 418 students in grades kindergarten through third. The School will add a fourth grade and a fifth grade in the 2016-2017 and 2017-2018 school years, respectively. The School currently offers a preschool program, and before school after school care services. The School is located on the southeast corner of 84th Avenue and 53rd Street, Doral, Florida on approximately 3.42 acres, and has a space of approximately 53,000 square feet.

In June 2014, the School entered into a Charter School Contract (the "Charter") by and between the School and the School Board of Miami-Dade County (the "School Board"). The term of the Charter runs from the first day of school in the 2015-2016 school year through June 30, 2020, and may be renewed for additional five-year terms at the sole discretion of the School Board. During the term of the Charter, the School Board may also terminate the Charter if good cause is shown. In the event of termination of the Charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is sponsored by the School Board and is considered to be a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School follows generally accepted accounting principles applicable to state and local governmental units.

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

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

Recent accounting pronouncements

The School has adopted guidance issued by the GASB that established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance. The School implemented Governmental Accounting Standards Board (GASB) Statements 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and 65, *Items Previously Reported as Assets and Liabilities*, in the fiscal year ended June 30, 2014. In accordance with GASB Statement 63, the Statement of Net Assets has been replaced with the Statement of Net Position. Items on the Statement of Net Position are now classified into Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position.

Basis of presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- *Governmental activities* – most of the School's basic services are included here.
- *Business-type activities* – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no major business-type activities.
- *Component units* – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

Governmental Funds:

- General Fund – 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, such as Federal grants and capital outlay grants that are restricted by law or administrative action to expenditure for specific purposes. For the year ended June 30, 2016, the School did not have a special revenue fund.
- Capital Projects Fund – to account for the financial resources accumulated that are restricted for capital outlays.
- Debt Service Fund – to account for the financial resources accumulated for the purpose of servicing and setting aside reserves for payments related to principal and interest.

For purposes of these statements, the general fund, capital projects fund, and debt service fund constitute major funds.

Basis of accounting

Basis of accounting refers to when revenues and expenses/expenditures 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 presented using the accrual basis of accounting and an economic resources focus. Revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current year or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is generally recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

Use of estimates

In preparing the financial statements, Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, and deferred inflows as of the date of the statement of net position and affect revenues and expenditures for the year presented. Actual results could differ significantly from those estimates.

Budgetary basis accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and purchased services).

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

Deposits and investments

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance and/or collateralized with securities. Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/saving accounts.

Restricted Cash and Cash Equivalents

At June 30, 2016, the School had \$4,632,613 in restricted cash that is held in trust accounts pertaining primarily to the bond and related party promissory note proceeds (Note 5) unspent at such time. The restrictions are the result of the establishment of certain accounts pursuant to the Indenture of Trust agreement dated August 1, 2015, with the a financial institution that serves as "Trustee." As of June 30, 2016, the accounts established had been the Project Fund account, to pay costs of the Construction in Progress and other capital outlay, a Debt Service Reserve and a Bond fund account to service the debt and pay a portion of the interest through September 1, 2016, an Operating Reserve Fund account, and a Cost of Issuance fund account to pay certain costs of issuance as detailed in the Indenture of Trust Agreement. The above Trustee accounts are accounted within the Capital Projects Fund and Debt Service Fund under the caption "Restricted Cash Equivalents – Trustee."

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the School's deposits may not be recoverable. The School's unrestricted cash is deposited in a local bank that is insured under Federal Deposit Insurance Commission (FDIC). Under FDIC rules, the School is entitled to aggregate insurance coverage of \$250,000 per financial institution. At June 30, 2016, unrestricted cash balance exceeded FDIC insurance coverage by \$1,078,529. The School has not formally adopted an investment policy regarding custodial credit risk; however, Management of the School believes the stability and financial strength of the local bank significantly reduces the custodial credit risk.

The School's restricted deposits held by the Trustee are considered to be backed by eligible collateral in the name of the School, and as such, considered by Management not to be exposed to custodial credit risk.

Credit Risk

Credit risk arises from the potential default of investments that are not financially sound. In connection with the issuance of bond debt and related party promissory note described in Note 5, the School was required to deposit the proceeds with the Trustee. The Indenture of Trust agreement addresses credit risk by only permitting the Trustee to invest funds for the School in qualified investments as defined in the indenture. The Trustee invests in a money market mutual fund with a portfolio composition of 100% Treasury Debt. The money market fund had Standard and Poors (S&P) rating of AAAM at June 30, 2016.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

Interest Rate Risk

The School manages its exposure to declines in fair values by substantially limiting the weighted average maturity on all investments to one year or less. The calculated weighted average maturity for all investments held by the money market fund was 46 days.

Inventories

Inventories consist of expendable unused books and instructional materials held by the School, which are carried at cost using the first-in, first-out method.

Capital assets, depreciation and amortization

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Capital assets reflected on the statement of net position are reported at cost, or at the fair value of the assets if received via a gift, and net of accumulated depreciation and amortization. For purposes of recording capital assets, the School has a capitalization threshold of \$1,000.

The School considers that capital assets are used primarily by the instructional and school administration function, and has derived an allocation percentage of 80% and 20%, respectively for such functions.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Furniture, fixtures and equipment	5 – 20
Leasehold improvements	20 - 31
Prepaid ground lease	31

Income Taxes

Downtown Doral Charter Elementary School, Inc. is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes. The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service or the applicable state taxing authority. The School believes all of its tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

income taxes, which may be due in certain jurisdictions, have been evaluated following the same "more likely than not" measurement threshold. The School has not accrued any interest and or penalties related to income taxes. The School is subject to audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Revenue

Revenues for current operations are received primarily from the District School Board of Miami-Dade County, Florida pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education ("FDOE") by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program ("FEFP"). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. This administrative fee is calculated on the FEFP revenue up to 250 students. The administrative fee charged by the School Board during the year ended June 30, 2016, was approximately \$91,000.

Revenues received from the District School Board of Miami-Dade County, Florida are recognized when considered earned, which is generally in the month when the moneys are received.

The School may receive awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School also receives revenue related to charges for services related to preschool and before and after school care programs. Revenues related to such charges for services are recognized when considered earned, which is also generally in the month when the fees are collected.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components:

1. Net investment in capital assets – consists of capital assets net of accumulated depreciation and amortization, and reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
2. Restricted net position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
3. Unrestricted net position – all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Financial Statements

Generally accepted accounting principles define the different types of fund balances that a governmental entity must use for financial reporting purposes. Fund balance amounts are to be properly reported within one of the fund balance categories listed below:

1. Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans, and notes receivable, and property held for sale (unless the proceeds are restricted committed or assigned). All nonspendable fund balances at year end relate to assets not in spendable form.
2. Restricted – fund balance associated with amounts that can be spent only for the specific purpose stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. At June 30, 2016, the School did not have any committed fund balances.
4. Assigned – fund balance classification are intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. At June 30, 2016, the School did not have assigned fund balances.
5. Unassigned – fund balance classification is the residual classification for the School's general fund and includes all spendable amounts not contained in the other classifications.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

Fund balance spending policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, and then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the School's Board of Directors. There are no minimum fund balance requirements for any of the School's funds.

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The School has no items that meet this criterion. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The School has no items that meet this criterion.

Subsequent events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through August 29, 2016, which is the date the financial statements were available to be issued.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

NOTE – 2 CAPITAL ASSETS

During the year ended June 30, 2016, the School completed substantially all of the construction of the School facility, which is located in Doral, Florida (the "School Site"). The School Site was constructed on certain land, which the School occupies via a ground lease agreement described in Note 3. The School also finished the initial acquisition of furniture and equipment, and technology equipment. The following table reflects the activity for the year ended June 30, 2016 related to the School's capital assets:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Leasehold improvements	\$ 8,521,344	\$ 1,357,152	\$ -	\$ 9,878,496
Furniture and equipment	334,829	139,915	-	474,744
Technology equipment	459,904	56,492	-	516,396
Prepaid ground lease	4,519,753	-	-	4,519,753
Total capital assets	<u>13,835,830</u>	<u>1,553,559</u>	<u>-</u>	<u>15,389,389</u>
Less accumulated depreciation and amortization				
Leasehold improvements	-	(292,105)	-	(292,105)
Furniture and equipment	-	(37,861)	-	(37,861)
Technology equipment	-	(87,141)	-	(87,141)
Prepaid ground lease	-	(133,649)	-	(133,649)
Total accumulated depreciation and amortization	<u>-</u>	<u>(550,756)</u>	<u>-</u>	<u>(550,756)</u>
Governmental activities capital assets, net	<u>\$ 13,835,830</u>	<u>\$ 1,002,803</u>	<u>\$ -</u>	<u>\$ 14,838,633</u>

The costs to construct the School Site were financed from loan proceeds related to the issuance of certain bonds by the Florida Development Finance Corporation. Additional information related to the bonds is described in Note 5. For the year ended June 30, 2016, depreciation expense was charged to functional categories as follows:

Instruction	\$ 440,605
School administration	110,151
	<u>\$ 550,756</u>

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

At June 30, 2016, the School had a vendor deposit of approximately \$46,000 related to a planned leasehold improvement of the School's physical education field. The estimated total costs of the improvements are \$140,000.

NOTE – 3 GROUND LEASE AGREEMENT

The School has a ground lease agreement with the School Board dated as of October 30, 2013 (the "Ground Lease"), under which the School leased land from the School Board, on which the development and construction of the School Site took place. The initial term of the Ground Lease is the longer of thirty-two (32) years or the maturity date of certain Series 2014 Bonds (Note 5) and provides two ten year renewal options to the School. Upon issuance of the Series 2014 Bonds, the Ground Lease provides that the School shall pay the School Board the sum of \$4,500,000 as "Total Base Rent" for the entire initial term of the Ground Lease. The Total Base Rent was paid upon the issuance of the Series 2014 Bonds. The School shall be responsible for substantially all costs and expenses relating to the School Site and the business carried on therein during the term of the Ground Lease. The Ground Lease permitted the creation of a leasehold mortgage in favor of a certain Trustee for the benefit of certain Bondholders. The School Board executed and delivered such leasehold mortgagee, setting forth and confirming the terms of the Ground Lease for the benefit of such leasehold mortgagee.

In August 2014, the School made the required rent payment under the Ground Lease of \$4,500,000. The Ground Lease is considered a capital asset, and is reflected in Note 2 as prepaid ground lease.

NOTE – 4 AGREEMENTS AND TRANSACTIONS WITH THE SCHOOL BOARD

Program Management Agreement

In October 2013, the School entered into an agreement with the School Board to act as the program manager for the design and construction of the School Site. The School is required to pay 5% of the total project cost, as defined in the program management agreement. For the year ended June 30, 2016, the School incurred approximately \$89,000 in project management fees.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

Management Agreement

In July 2014, the School also entered into a Management Agreement, with the School Board that provides operational, management and administrative services to the School. The School Board coordinates the management and administrative duties required to operate the School. The School Board reports to the School's Board of Directors and advises it of the systems established for administrative duties. The School Board's services include, but are not limited to: staffing recommendations, human resource coordination, regulatory compliance, corporate records maintenance, and the bookkeeping, budgeting, cash management and financial reporting required by the Board of Directors. The Management Agreement provides that School shall pay the School Board a management fee of (i) \$440 per K-5 student FTE and (ii) \$250 per FTE student enrolled in the preschool program, for each fiscal year and as negotiated annually thereafter, but not ever less than \$440 per K-5 student FTE and \$250 per preschool FTE student, for each fiscal year. The term of the Management Agreement shall be in effect the same as those for the term of the Charter unless earlier terminated. Management fees incurred under the management agreement for the year ended June 30, 2016 totaled approximately \$205,000. At June 30, 2016, the School owed the School Board approximately \$60,000 for management fees, which is included in salaries payable and other accrued liabilities.

During the year ended June 30, 2016, the School paid \$50,000 to the School Board for information technology services the School Board rendered, which is included under the function instruction related technology. In addition, during the year ended June 30, 2016, the School purchased approximately \$16,800 of after school care snacks from the School Board, which is included under the function community services.

NOTE – 5 LONG-TERM DEBT

Series 2014 Bonds

In August 2014 the Florida Development Finance Corporation Educational Facilities Revenue Bonds, Series 2014A, in the aggregate principal amount of \$21,505,000 (the "Series 2014A Bonds"), and the Florida Development Finance Corporation Taxable Educational Facilities Revenue Bonds, Series 2014B, in the aggregate principal amount of \$320,000 (the "Series 2014B Bonds" and together with the Series 2014A Bonds, the "Series 2014 Bonds") were issued. The proceeds of the Series 2014 Bonds were loaned by the Florida Development Finance Corporation (the "Issuer") to the School, and were used by the School (i) to acquire, construct, and equip certain charter school facility (the "Facility") located within Miami-Dade County, Florida, which is located on land subject to a Ground Lease (described in Note 3) with the School Board and improvements thereto (collectively, the "Project") and to prepay the rent under the Ground Lease for the entire initial term thereof, (ii) to fund a Debt Service Reserve Fund for the Series 2014 Bonds, (iii) to fund capitalized interest with respect to the Series 2014 Bonds through September 1, 2016, and (iv) to pay the costs of issuance of the Series 2014 Bonds. The Bonds were issued pursuant to a certain Indenture of Trust dated as of August 1, 2014, by and between the Issuer and Wells Fargo Bank, National Association, as trustee (the "Trustee").

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

The following table lists the principal and interest due until maturity for the Series 2014 Bonds for each of the subsequent five fiscal years and in five year increments thereafter:

	Principal			Total
	Series 2014A Bonds	Series 2014B Bonds	Series 2014 Bonds	
				Total
				Series 2014 Bonds Interest
2017	\$ -	\$ -	\$ -	\$ 1,386,975
2018	-	-	-	1,386,975
2019	190,000	155,000	345,000	1,386,975
2020	215,000	165,000	380,000	1,365,200
2021	405,000	-	405,000	1,341,288
2022 - 2026	2,415,000	-	2,415,000	6,325,537
2027 - 2031	3,250,000	-	3,250,000	5,487,562
2032 - 2036	4,395,000	-	4,395,000	4,335,551
2037 - 2041	6,010,000	-	6,010,000	2,724,475
2041 - 2044	4,625,000	-	4,625,000	613,925
Total	\$ 21,505,000	\$ 320,000	\$ 21,825,000	\$ 26,354,463

The following table describes the maturity dates and the interest rates on the Series 2014 Bonds:

Final Maturity Date	Series 2014A Bonds	
	Principal Amount	Interest Rate
July 1, 2024	\$ 2,175,000	5.75%
July 1, 2034	\$ 6,775,000	6.25%
July 1, 2044	\$ 12,555,000	6.50%
Final Maturity Date	Series 2014B Bonds (Taxable)	
	Principal Amount	Interest Rate
July 1, 2020	\$ 320,000	7.00%

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

The Loan Agreement

In connection with the Project, the School entered into a Loan Agreement (the "Loan Agreement"), dated as of August 1, 2014, pursuant to which the issuer loaned the proceeds of the Series 2014 Bonds to the School. The School's payment of principal and interest will be used to pay principal of and interest on the Series 2014 Bonds. In order to secure the payment of the Series 2014 Bonds, the Issuer assigned all of its rights and interest in the Loan Agreement to the "Trustee" pursuant to an assignment contained in the Indenture of Trust. The obligations of the School under the Loan Agreement will be secured by (i) a mortgage interest in the Facilities (which mortgage will consist of a leasehold mortgage interest in the Ground Lease and school facilities pursuant to the Loan Agreement), (ii) an assignment of and security interest in certain School revenues, and (iii) a security interest in all other assets of the Borrower related to the Project, excluding property prohibited by law from being pledged as security because it has been purchased or refinanced with federal or state grant funds.

Financial Covenants

Beginning with the fiscal year ending 2017, and ending with the fiscal year ending June 30, 2019, the School is required to maintain a minimum debt service coverage ratio (DSCR), as defined in the Loan Agreement, of 1.00. The DSCR increases to 1.05 for the fiscal year ending June 30, 2020, and 1.10 for the fiscal year ending June 30, 2021, and each fiscal year thereafter. Compliance with the DSCR is to be tested at the end of each fiscal year.

Beginning with the fiscal year ending June 30, 2017 through June 30, 2019, the School is required by the Loan Agreement to have available cash on hand, as defined in the Loan Agreement, of 35 days at the end of the fiscal year. The number of days increases to 40 days for the year ending June 30, 2020, and 45 days for June 30, 2021, and each fiscal year end thereafter.

Failure to comply with these financial covenants will not constitute an event of default under the loan agreement; rather, the School will retain a management consultant to guide the School in complying with the financial covenants.

Debt Service Reserve Fund

The Indenture of Trust agreement requires the School to maintain a Debt Service Reserve Fund with the Trustee. For the year ended June 30, 2016 the amount required for the Debt Service Reserve Fund was \$1,749,513. The amount established is pursuant to a certain formula described in the Indenture of Trust agreement. This amount is included with restricted cash at June 30, 2016.

Promissory Note – Related Party

In August 2014, the School borrowed under a promissory note agreement \$1,000,000 from a related party, whom is a family member of the President of the Board of Directors. The loan is non-interest bearing and payable in August 2022, provided that the payment will not cause a default under the Loan Agreement. The School may extend the due date of the loan until August 2025 or such earlier date as such repayment will not cause a default under the

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

loan agreement. The purpose of this loan was to establish an Operating Reserve Fund pursuant to the Indenture of Trust Agreement, which moneys therein are to be used for payment of principal and interest on the Series 2014 bonds, in the event moneys in other debt service funds are insufficient to make such payments when due. The moneys may also be used for operating expenses to the extent operating revenues are insufficient, but only with certain bondholder consent. The Operating Reserve Fund is to remain in effect until certain covenants pursuant to the Series 2014 bond agreements have been met.

During the year ended June 30, 2016, there was no activity for the School related to long-term debt. In addition, no portion of the long-term debt as of June 30, 2016 is due within one year.

NOTE – 6 SCHEDULES OF STATE AND FEDERAL REVENUE SOURCES

The following is a schedule of state and federal revenue sources for the year ended June 30, 2016:

State Sources:

Florida Education Finance Program	\$ 2,200,938
Class size reduction	630,875
Supplemental academic instruction	139,782
ESE guaranteed allocation	25,511
Instructional materials	31,084
Safe schools	11,785
Other	<u>12,340</u>
Total	<u><u>\$ 3,052,315</u></u>

Federal Sources:

Grant - Charter Schools Program (CSP)	<u><u>\$ 149,883</u></u>
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NOTE – 7 FUNDING – COUNCIL FOR EDUCATIONAL CHANGE

During the year ended June 30, 2016, the School received funding under an agreement with the Council for Educational Change (CEC), a non profit organization, related to the Partnership to Advance School Success (PASS) program. The agreement consisted of a \$100,000 gift to CEC from an entity that is managed by President of the School's board of directors, and a match of this amount by the Florida Department of Education (FLDOE) to CEC for the intent of supporting the School. The award is for a period of three years, and FLDOE matching funds must be expended within the first year of the three year period. During the year ended June 30, 2016, the School recorded revenue associated with receiving funding for eligible expenses under the agreement of \$117,119.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016 (Continued)

NOTE – 8 INTERFUND TRANSFERS

The following is a schedule of the activity for interfund transfers during the year ended June 30, 2016:

Description of Transfer	General Fund	Capital Projects Fund	Debt Service Fund
Transfer from Capital Projects Fund to General Fund for acquisitions of School books for the initial School Year	\$ 166,657	\$ (166,651)	\$ (6)
Transfer from General Fund to Capital Projects Fund for payments of architectural fees for leasehold improvements	(15,385)	15,385	
Transfer from General Fund to Debt Service Fund for payment of trustee fees associated with Series 2014 Bonds	(4,500)	-	4,500
Net Transfers	<u>\$ 146,772</u>	<u>\$ (151,266)</u>	<u>\$ 4,494</u>

NOTE – 9 DEFINED CONTRIBUTION PLAN

The School's employees are eligible to participate in a 401(k) Profit Sharing Plan ("the Plan"), which was made available by the School's payroll provider. The Plan is available to employees that meet certain eligibility criteria. The School currently does not contribute to the Plan.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
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THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Original	Budgeted Final	GAAP Actual	Variance with Final Budget- Positive (Negative)
REVENUES				
State sources	\$ 2,564,730	\$ 2,721,600	\$ 3,052,315	\$ 330,715
Federal sources	175,000	175,000	149,883	(25,117)
Preschool and after school care	309,080	338,316	903,765	565,449
Contributions and grants	-	13,000	125,024	112,024
Other	-	-	16,548	16,548
Total revenues	<u>3,048,810</u>	<u>3,247,916</u>	<u>4,247,535</u>	<u>999,619</u>
EXPENDITURES				
Current:				
Instruction	1,523,533	1,601,538	1,590,019	11,519
Instructional support	16,500	24,752	55,707	(30,955)
Instructional media	-	-	11,854	(11,854)
Instruction related technology	87,800	96,300	72,451	23,849
Board	42,000	42,500	21,534	20,966
General administration	269,133	276,320	295,863	(19,543)
School administration	351,157	433,126	225,987	207,139
Fiscal services	8,000	20,500	52,078	(31,578)
Central services	-	-	3,208	(3,208)
Student transportation services	10,000	2,500	150	2,350
Operation and maintenance of plant	227,000	233,000	289,197	(56,197)
Community services	-	-	193,773	(193,773)
Preschool - instruction and other	-	-	284,908	(284,908)
Total expenditures	<u>2,535,123</u>	<u>2,730,536</u>	<u>3,096,729</u>	<u>(366,193)</u>
Excess (Deficiency) of revenues over (under) expenditures	513,687	517,380	1,150,806	633,426
Other financing sources:				
Transfers in	-	-	166,657	166,657
Transfers out	-	-	(19,885)	(19,885)
Net changes in fund balance	<u>\$ 513,687</u>	<u>\$ 517,380</u>	1,297,578	<u>\$ 780,198</u>
Fund balance at beginning of year			<u>60,665</u>	
Fund balance at end of year			<u>\$ 1,358,243</u>	

See report of independent auditors.

**DOWNTOWN DORAL CHARTER
ELEMENTARY SCHOOL, INC.
A CHARTER SCHOOL SPONSORED BY
THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION**

BUDGETARY COMPARISON SCHEDULE – GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2016

NOTES TO BUDGETARY COMPARISON SCHEDULE

The School's budget presented in the accompanying budgetary comparison schedule is annually adopted and prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles in the United States of America. Amendments to the School's budget can only be made with the approval of the board of directors.

Sotolongo & Associates, P.A.

Certified Public Accountants

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

To the Board of Directors of
Downtown Doral Charter
Elementary School, Inc.
Doral, Florida

We have audited, 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, the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Downtown Doral Charter Elementary School, Inc. (the "School"), a charter school sponsored by the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 29, 2016.

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 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 School's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School'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*.

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.

Sotolongo & Associates, P.A.

Miami, Florida
August 29, 2016

ADDITIONAL INFORMATION REQUIRED BY
RULES OF THE AUDITOR GENERAL,
CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS AND SIMILAR
ENTITIES*

Sotolongo & Associates, P.A.

Certified Public Accountants

To the Board of Directors of
Downtown Doral Charter
Elementary School, Inc.
Doral, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Downtown Doral Charter Elementary School, Inc., a charter school sponsored by the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2016, and have issued our report thereon dated August 29, 2016.

Auditor's Responsibility

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

Other Report

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated, August 29, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Downtown Doral Charter Elementary School, Inc.

Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Downtown Doral Charter Elementary 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 Downtown Doral Charter Elementary 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 Downtown Doral Charter Elementary School, Inc. It is management's responsibility to monitor the Downtown Doral Charter Elementary School, Inc.'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. We performed the financial condition assessment procedures for the year ended June 30, 2016, which included calculation and analysis of certain financial indicators we considered relevant to the School. No deteriorating financial condition was noted as a result of this assessment.

It should be noted that although there was a deficit in total net position as shown in the government wide statement of net position as of June 30, 2016, most of the liabilities reflected thereon are long-term in nature. In addition, the School has accumulated resources sufficient to cover related debt service for the near term. Furthermore, the School's current liabilities consist of interest and accrued salary and other expenses, for which there are sufficient accumulated resources available.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the Downtown Doral Charter Elementary 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 Downtown Doral Charter Elementary School, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

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

Purpose of this Letter

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



Miami, Florida
August 29, 2016