

**The Downtown Miami Charter School, Inc.**  
(A Component Unit of the School Board  
of Miami-Dade County, Florida)

Basic Financial Statements  
For the Year Ended June 30, 2017

# The Downtown Miami Charter School, Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
The Downtown Miami Charter School, Inc.  
Miami, 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 The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2017, and the respective changes in financial position, and budgetary comparison for the General Fund and Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 12, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 12, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade, Florida (the "School Board"), we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2017 and 2016.

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

### **Financial Highlights**

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

- As of June 30, 2017, the School's fund balances were \$ 815,738 as compared to \$ 657,433 as of June 30, 2016.
- As of June 30, 2017, the School had net position of \$ 1,166,648, as compared to \$ 1,041,640 as of June 30, 2016.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

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

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

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

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

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

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

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

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

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

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

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

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

The Agency Fund financial statement can be found on page 16 of this report.

**Notes to Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 24 of this report.

### **Government-Wide Financial Analysis**

This School has been in operation for fifteen years; therefore, comparative government-wide data is presented. The School's net position was \$ 1,166,648 at June 30, 2017. Of this amount, \$ 787,192 represented unrestricted net position and \$ 379,456 represented net investment in capital assets. The School's net position was \$ 1,041,640 at June 30, 2016. Of this amount, \$ 641,474 represented unrestricted net position and \$ 400,166 represented net investment in capital assets.

**The Downtown Miami Charter School, Inc.**  
**Management's Discussion and Analysis**  
**June 30, 2017**

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

The Downtown Miami Charter School, Inc.  
Net Position

	June 30, 2017	June 30, 2016
Assets:		
Current and other assets	\$ 1,470,089	\$ 1,324,804
Capital assets, net of depreciation	<u>379,456</u>	<u>400,166</u>
Total assets	<u>1,849,545</u>	<u>1,724,970</u>
Liabilities:		
Current liabilities	675,761	679,340
Noncurrent liabilities	<u>7,136</u>	<u>3,990</u>
Total liabilities	<u>682,897</u>	<u>683,330</u>
Net Position:		
Net investment in capital assets	379,456	400,166
Unrestricted	<u>787,192</u>	<u>641,474</u>
Total net position	<u>\$ 1,166,648</u>	<u>\$ 1,041,640</u>

The increase in current assets is due to an increase in cash. The decrease in capital assets, net of depreciation, is a result of depreciation expense of \$ 150,311. The decrease in current liabilities is a result of a decrease in the amount due to the School's management company for expenses paid on behalf of the School.

**Governmental Activities:** The results of the year's operations for the School as a whole are reported in the statement of activities on page 9. The following table provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2017 and 2016:

The Downtown Miami Charter School, Inc.  
Change in Net Position

	June 30, 2017	June 30, 2016
Revenues:		
General revenues	\$ 4,605,564	\$ 4,461,445
Program revenues	<u>1,388,677</u>	<u>1,264,363</u>
Total revenues	<u>5,994,241</u>	<u>5,725,808</u>
Functions/Program Expenses:		
Instruction	2,600,832	2,558,810
Instructional support services	2,143,127	1,969,935
Operation of non-instructional services	<u>1,125,274</u>	<u>1,091,412</u>
Total governmental activities	<u>5,869,233</u>	<u>5,620,157</u>
Change in net position	<u>\$ 125,008</u>	<u>\$ 105,651</u>

General revenues increased as a result of an increase in the per pupil rate. Program revenues increased as a result of increased grant funding for the 21st Century Grant as well as Title 1.

Total expenses decreased mainly as a result of a decrease in the operation of non-instructional services. The decrease was a result of lower cost reimbursements and management fees.

### **Governmental Fund Expenditures**

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

Functions/Programs	2017		2016	
	Expenditures	Percent	Expenditures	Percent
Governmental expenditures:				
Instructional expenditures	\$ 2,474,219	43%	\$ 2,454,163	44%
Plant operations and maintenance	1,231,460	21%	1,187,145	21%
School administration	432,990	7%	413,697	7%
Fiscal services	670,375	11%	648,840	11%
Pupil personnel services	328,615	6%	256,901	5%
All other functions/programs	698,277	12%	644,996	12%
Total governmental expenditures	\$ <u>5,835,936</u>	<u>100%</u>	\$ <u>5,605,742</u>	<u>100%</u>

### **Capital Assets**

At June 30, 2017, the School had capital assets of \$ 379,456, net of accumulated depreciation, invested in improvements other than buildings, furniture, fixtures and equipment and computer equipment, as compared to \$ 400,166 at June 30, 2016.

### **General Fund Budgetary Highlights**

Total revenues were favorable to the budget for the year ended June 30, 2017 primarily due to an increase in ESE funding.

Expenditures were unfavorable to the budget as a result of an increase in fiscal services. This was offset by savings in instructional salaries and benefits. The School ended the year with a change in fund balance which was favorable to budget by approximately \$ 58,300.

### **Economic Factors and Next Year's Budget**

In fiscal year 2017, the State of Florida increased its Florida Education Finance Program funding by approximately 1%. The capital outlay funding pool also increased to \$ 75 million. A 2% merit increase was paid out to eligible staff. For fiscal year 2018, the School budgets were finalized ahead of the passing of House Bill 7069 and the final capital outlay reduction to \$ 50 million. The budgets reflect a Florida Education Finance Program funding increase of approximately .34% and flat capital outlay. A 2% merit increase for all staff is included as well as additional teacher pay increases in certain districts. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

### **Requests for Information**

If you have any questions about this report or need additional information, please write Hillary Daigle, Vice President of Finance; Charter Schools USA; 800 Corporate Drive, Suite 700; Ft. Lauderdale, Florida 33334.

# BASIC FINANCIAL STATEMENTS

**The Downtown Miami Charter School, Inc.**  
**Statement of Net Position**  
**June 30, 2017**

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	<b>Governmental Activities</b>
<b>Current Assets:</b>	
Cash and cash equivalents	\$ 1,167,862
Other receivables	33,001
Due from other governments	257,835
Prepaid items	6,495
Deposits	<u>4,896</u>
Total current assets	1,470,089
<b>Noncurrent Assets:</b>	
Capital assets (depreciable), net of accumulated depreciation	<u>379,456</u>
Total assets	<u>1,849,545</u>
<b>Current Liabilities:</b>	
Accounts payable	44,957
Salaries and wages payable	246,167
Due to Agency Fund	5,513
Due to management company	357,714
Compensated absences	<u>21,410</u>
Total current liabilities	<u>675,761</u>
<b>Noncurrent Liabilities:</b>	
Compensated absences	<u>7,136</u>
Total noncurrent liabilities	<u>7,136</u>
Total liabilities	<u>682,897</u>
<b>Commitments (Note 7)</b>	-
<b>Net Position:</b>	
Net investment in capital assets	379,456
Unrestricted	<u>787,192</u>
Total net position	\$ <u><u>1,166,648</u></u>

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

**The Downtown Miami Charter School, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

		Program Revenues			Governmental
		Charges	Operating	Capital	Activities
	Expenses	for	Grants and	Grants and	Net Revenue
		Services	Contributions	Contributions	(Expense) and
					Change in
					Net Position
<b>Functions/Programs:</b>					
Instruction	\$ 2,600,832	\$ -	\$ 494,438	\$ -	\$ (2,106,394)
Pupil personnel services	328,615	-	158,159	-	(170,456)
Instructional media services	2,671	-	-	-	(2,671)
Instruction and curriculum development services	27,507	-	-	-	(27,507)
Instructional staff training services	2,067	-	-	-	(2,067)
Instruction related technology	81,532	-	-	-	(81,532)
School Board	15,037	-	-	-	(15,037)
School administration	432,990	-	2,085	-	(430,905)
Fiscal services	670,375	-	-	-	(670,375)
Food services	312,671	1,625	297,419	-	(13,627)
Central services	55,550	-	17,392	-	(38,158)
Operation of plant	1,160,447	-	52,683	230,925	(876,839)
Maintenance of plant	107,298	-	-	-	(107,298)
Community services	71,641	100,084	33,867	-	62,310
Total governmental activities	\$ <u>5,869,233</u>	\$ <u>101,709</u>	\$ <u>1,056,043</u>	\$ <u>230,925</u>	<u>(4,480,556)</u>
General revenues:					
Grants and entitlements					4,605,536
Other income					<u>28</u>
Total general revenues					<u>4,605,564</u>
Change in net position					125,008
Net position, July 1, 2016					<u>1,041,640</u>
Net position, June 30, 2017					<u>\$ 1,166,648</u>

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

**The Downtown Miami Charter School, Inc.**  
**Balance Sheet - Governmental Funds**  
**June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,167,862	\$ -	\$ -	\$ 1,167,862
Other receivables	33,001	-	-	33,001
Due from other governments	-	238,872	18,963	257,835
Due from other funds	257,835	-	-	257,835
Prepaid items	6,495	-	-	6,495
Deposits	4,896	-	-	4,896
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	\$ <u>1,470,089</u>	\$ <u>238,872</u>	\$ <u>18,963</u>	\$ <u>1,727,924</u>
<b>Liabilities:</b>				
Accounts payable	\$ 44,957	\$ -	\$ -	\$ 44,957
Salaries and wages payable	246,167	-	-	246,167
Due to Agency Fund	5,513	-	-	5,513
Due to management company	357,714	-	-	357,714
Due to other funds	-	238,872	18,963	257,835
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	<u>654,351</u>	<u>238,872</u>	<u>18,963</u>	<u>912,186</u>
<b>Commitments (Note 7)</b>	-	-	-	-
<b>Fund Balances:</b>				
Nonspendable				
Prepaid items	6,495	-	-	6,495
Deposits	4,896	-	-	4,896
Committed for reserves	617,538	-	-	617,538
Assigned to subsequent year's budget	186,809	-	-	186,809
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>815,738</u>	<u>-</u>	<u>-</u>	<u>815,738</u>
Total liabilities and fund balances	\$ <u>1,470,089</u>	\$ <u>238,872</u>	\$ <u>18,963</u>	\$ <u>1,727,924</u>

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

**The Downtown Miami Charter School, Inc.**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2017**

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>815,738</b>
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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 in the governmental fund.

Cost of capital assets	<b>\$</b>	<b>1,295,159</b>	
Less accumulated depreciation		<b>(915,703)</b>	<b>379,456</b>

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

Compensated absences		<b>(28,546)</b>
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<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>1,166,648</u></b>
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The accompanying notes to basic financial statements are an integral part of these statements

**The Downtown Miami Charter School, Inc.**  
**Statement of Revenues, Expenditures and**  
**Change in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
<b>Revenues:</b>				
Federal through state	\$ -	\$ 987,850	\$ -	\$ 987,850
State sources	4,615,704	714	230,925	4,847,343
Local sources	58,964	-	-	58,964
Aftercare	100,084	-	-	100,084
	<u>4,774,752</u>	<u>988,564</u>	<u>230,925</u>	<u>5,994,241</u>
<b>Total revenues</b>	<u>4,774,752</u>	<u>988,564</u>	<u>230,925</u>	<u>5,994,241</u>
<b>Expenditures:</b>				
Instruction	2,042,566	431,653	-	2,474,219
Pupil personnel services	170,456	158,159	-	328,615
Instructional media services	2,671	-	-	2,671
Instruction and curriculum development services	10,423	17,084	-	27,507
Instructional staff training services	1,533	534	-	2,067
Instruction related technology	81,532	-	-	81,532
School Board	15,037	-	-	15,037
School administration	430,905	2,085	-	432,990
Facilities acquisition and construction	129,601	-	-	129,601
Fiscal services	670,375	-	-	670,375
Food services	15,252	297,419	-	312,671
Central services	38,158	17,392	-	55,550
Operation of plant	862,866	30,371	230,925	1,124,162
Maintenance of plant	107,298	-	-	107,298
Community services	37,774	33,867	-	71,641
	<u>4,616,447</u>	<u>988,564</u>	<u>230,925</u>	<u>5,835,936</u>
<b>Total expenditures</b>	<u>4,616,447</u>	<u>988,564</u>	<u>230,925</u>	<u>5,835,936</u>
Net change in fund balances	158,305	-	-	158,305
<b>Fund Balances, July 1, 2016</b>	<u>657,433</u>	<u>-</u>	<u>-</u>	<u>657,433</u>
<b>Fund Balances, June 30, 2017</b>	<u>\$ 815,738</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 815,738</u>

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

**The Downtown Miami Charter School, Inc.  
Reconciliation of the Statement of Revenues,  
Expenditures and Change in Fund Balances  
of the Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2017**

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<b>Change in Fund Balances - Governmental Funds</b>	<b>\$ 158,305</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; however, in the statement of activities, the costs of those assets are depreciated over their estimated useful lives as provision for depreciation.

Cost of capital assets	\$ 129,601	
Provision for depreciation	<u>(150,311)</u>	(20,710)

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

Change in compensated absences		<u>(12,587)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>125,008</u></b>
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The accompanying notes to basic financial statements are an integral part of these statements

**The Downtown Miami Charter School, Inc.**  
**Statement of Revenues and Expenditures -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
State sources	\$ 4,553,717	\$ 4,615,704	\$ 61,987
Local sources	43,447	58,964	15,517
Aftercare	80,533	100,084	19,551
	<u>4,677,697</u>	<u>4,774,752</u>	<u>97,055</u>
<b>Expenditures:</b>			
Instruction	2,306,362	2,042,566	263,796
Pupil personnel services	205,204	170,456	34,748
Instructional media services	3,540	2,671	869
Instruction and curriculum development services	10,500	10,423	77
Instructional staff training services	5,240	1,533	3,707
Instruction related technology	70,928	81,532	(10,604)
School Board	14,269	15,037	(768)
School administration	391,858	430,905	(39,047)
Facilities acquisition and construction	134,167	129,601	4,566
Fiscal services	333,211	670,375	(337,164)
Food services	18,611	15,252	3,359
Central services	37,090	38,158	(1,068)
Operation of plant	888,888	862,866	26,022
Maintenance of plant	100,465	107,298	(6,833)
Community services	57,364	37,774	19,590
	<u>4,577,697</u>	<u>4,616,447</u>	<u>(38,750)</u>
Total expenditures			
	<u>4,577,697</u>	<u>4,616,447</u>	<u>(38,750)</u>
Net change in fund balance	\$ <u>100,000</u>	\$ <u>158,305</u>	\$ <u>58,305</u>

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

**The Downtown Miami Charter School, Inc.  
Statement of Revenues and Expenditures -  
Budget and Actual - Special Revenue Fund  
For the Year Ended June 30, 2017**

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	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>			
Federal sources:			
National School Lunch Program	\$ 365,619	\$ 360,943	\$ (4,676)
21st Century	430,940	438,316	7,376
Title I	133,614	188,370	54,756
Title III	-	221	221
State sources:			
National School Lunch Program	691	714	23
Total revenues	<u>930,864</u>	<u>988,564</u>	<u>57,700</u>
<b>Expenditures:</b>			
Regular instruction	367,516	431,653	(64,137)
Pupil personnel services	145,638	158,159	(12,521)
Instruction and curriculum development services	10,366	17,084	(6,718)
Instructional staff training services	-	534	(534)
Central services	9,402	17,392	(7,990)
School administration	31,632	2,085	29,547
Food services	328,187	297,419	30,768
Operation of plant	-	30,371	(30,371)
Community services	38,123	33,867	4,256
Total expenditures	<u>930,864</u>	<u>988,564</u>	<u>(57,700)</u>
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

The Downtown Miami Charter School, Inc.  
Statement of Assets and Liabilities - Agency Fund  
June 30, 2017

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	<u>Student Activities</u>
<b>Assets:</b>	
Cash and cash equivalents	\$ 56,051
Due From General Fund	<u>5,513</u>
Total assets	\$ <u><u>61,564</u></u>
<b>Liabilities:</b>	
Due to students	\$ <u>61,564</u>
Total liabilities	\$ <u><u>61,564</u></u>

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

## Note 1 - Organization and Operations

The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, was established in February 2002 as a public charter school to serve students from kindergarten to sixth grade in Miami-Dade County. The School is a Florida nonprofit corporation and the governing body of the School is the Organization's Board of Directors. There were 657 students enrolled for the 2016/2017 school year.

## Note 2 - Summary of Significant Accounting Policies

**Reporting entity:** The School operates under a charter granted by the sponsoring school district, the Miami-Dade County Public School Board (the "School Board"). The current charter is effective until June 30, 2027. At the end of the term of the charter, the School shall complete a charter renewal application including documentation of the School's success and current academic program for the Sponsor. Pursuant to Section 228.056(10)(e), of the Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the School Board. During the term of the charter, the School Board may also terminate the charter if good cause is shown. For financial reporting purposes, the Organization is considered a component unit of the Miami-Dade County School Board and is included in the School Board's comprehensive annual financial report.

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

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

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

**Government-wide financial statements:** The School's financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major fund). Both the government-wide and fund basic financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full-accrual, economic resource basis, which recognizes all noncurrent assets and receivables as well as all noncurrent debt and obligations.

## Note 2 - Summary of Significant Accounting Policies (continued)

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues, operating and capital grants and contributions. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. For the year ended June 30, 2017 the School had program revenues of \$ 1,388,677.

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net position resulting from the current year's activities.

**Fund financial statements:** The accounts of the School are organized on the basis of funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures.

The School reports the following major governmental funds:

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

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

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

**Measurement focus and basis of accounting:** Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the governmental-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the full-accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental funds financial statements are presented on the modified-accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within sixty days after year-end or soon enough thereafter to be used to pay liabilities of the current period.

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

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

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

## Note 2 - Summary of Significant Accounting Policies (continued)

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

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

**Income taxes:** The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

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

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

Improvement other than buildings	3-10 years
Furniture, fixtures and equipment	3-10 years
Computer equipment	3 years

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

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

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

## Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

## Note 2 - Summary of Significant Accounting Policies (continued)

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

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

**Date of Management Review:** The School has evaluated subsequent events through September 12, 2017, which is the date that the financial statements were available to be issued.

## Note 3 - Deposits

At June 30, 2017, the carrying amount of the deposits and cash on hand totaled \$ 1,223,913 with a bank balance of \$ 1,243,288.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the Treasurer is defined by the Statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2017.

## Note 4 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2017 are as follows:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets, being depreciated:				
Improvements other than buildings	\$ 380,817	\$ -	\$ -	\$ 380,817
Furniture, fixtures and equipment	264,411	15,126	-	279,537
Computer equipment	520,330	114,475	-	634,805
Total capital assets, depreciable	1,165,558	129,601	-	1,295,159
Less accumulated depreciation for:				
Improvements other than buildings	147,014	36,285	-	183,299
Furniture, fixtures and equipment	209,599	19,211	-	228,810
Computer equipment	408,779	94,815	-	503,594
Total accumulated depreciation	765,392	150,311	-	915,703
Net capital assets, being depreciated, net	\$ 400,166	\$ (20,710)	\$ -	\$ 379,456

#### Note 4 - Capital Assets (continued)

Provision for depreciation was charged to governmental activities as follows:

Instruction	\$	114,026
Operation of plant		<u>36,285</u>
Total	\$	<u><u>150,311</u></u>

#### Note 5 - Leases

**Lease agreement with the Downtown Development Authority of Miami:** On April 22, 2002, the School entered into a lease agreement (the "Lease") with the Downtown Development Authority of Miami ("DDA") for property ("Leased Land") to be used for the sole purpose of the operation and construction of a charter school; subject to a Ground Lease Agreement with the Developer for the construction of the charter school. DDA had previously obtained the land from the City of Miami through an interlocal agreement (the "Interlocal Agreement") pursuant to Resolution No. 02-382 adopted on April 22, 2002. The Lease is subject to all provisions of the Interlocal Agreement and to the extent the Lease and the Interlocal Agreement conflicts, the terms of the Interlocal Agreement will govern. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$ 1.00 per year as long as the land is used for charter school purpose.

**Ground lease agreement Downtown Miami Charter School:** On April 22, 2002, the School entered into a lease agreement (the "Ground Lease") with DDA Charter School Developers, Inc. ("CSD") for the Leased Land mentioned in the Lease above. The Ground Lease was entered into with the understanding and agreement that CSD, at its sole cost and expense, would construct and equip the School on the Leased Land and rent the facilities back to the School. The term of the Lease is for thirty (30) years commencing on April 22, 2002 for \$ 12 per year. Pursuant to the terms of the Interlocal Agreement, the School and the City authorize CSD as lessee under this Lease to pledge, mortgage or encumber its leasehold interest to a leasehold mortgagee in order to obtain financing for the construction of the charter school.

**Premises lease agreement:** On April 22, 2002, the School entered into a lease agreement (the "Premises Lease") with CSD for the charter school premises. The term of the Premises Lease commences on July 1, 2002 and continues for thirty (30) years. The agreement specifies the lease payments for the first five years of the lease with an adjustment on the sixth year and every lease year thereafter during the term of the lease. The rental adjustment will be adjusted upwards or downwards on the sixth year and every year thereafter based on the percentage increase or decrease of the per student full-time equivalent (FTE) credit from the preceding year.

The School's rent expenditures totaled \$ 758,082 for the fiscal year ended June 30, 2017.

#### Note 6 - Long-Term Liabilities

Changes in the School's long-term liabilities for fiscal year ended June 30, 2017, are as follows:

	Balance at July 1, 2016	Increases	Decreases	Balance at June 30, 2017	Amount Due Within One Year
Compensated absences	\$ <u>15,959</u>	\$ <u>13,555</u>	\$ <u>968</u>	\$ <u>28,546</u>	\$ <u>21,410</u>

#### **Note 7 - Commitments**

**Management agreement:** The School has a formal agreement with Charter Schools USA, Inc. ("CSUSA") to manage, staff, and operate the School. The agreement expires on June 30, 2027 unless either party delivers a written notice of termination to the other at least twelve months prior to the expiration of the current term. CSUSA shall be entitled to retain as compensation for its services rendered pursuant to this agreement the difference, if any, between the amount of the School's revenues and the amount of revenues actually expended by CSUSA in operation and/or management of the School during its fiscal year (the "Fee"). The amount of the Fee shall be determined by the following, if the School's reserve is less than \$ 750,000 then the fee shall not exceed 11%, however the fee shall not be less than 8%. If the School's reserve is more than \$ 750,000 the Fee shall be 11% of certain revenues with any additional funds split equally between the School and CSUSA; provided, however, the Fee does not exceed 15% of certain revenues for any school year. The School's cost reimbursements and management fees were \$ 658,569 for the fiscal year ended June 30, 2017.

For the fiscal year ended June 30, 2017, the School has an amount due to the management company of \$ 357,714 for expenses paid on behalf of the School.

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

#### **Note 8 - Employee Benefit Plan**

During the year ended June 30, 2017, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The School contributed a matching amount of \$ 7,068 for the year ended June 30, 2017.

#### **Note 9 - Capital Appropriations Funding**

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. The School's CSCO Award totaled \$ 230,925 for the 2016/2017 school year, which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay its portion of the lease expense on the facility.

#### **Note 10 - Risk Financing**

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

**Note 10 - Risk Financing (continued)**

As disclosed in Note 7, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

## OTHER INDEPENDENT AUDITOR'S REPORTS

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

To the Board of Directors  
The Downtown Miami Charter School, Inc.  
Miami, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 12, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

## Compliance and Other Matters

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

## Purpose of this Report

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 12, 2017

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
The Downtown Miami Charter School, Inc.  
Miami, Florida

**Report on Compliance for Each Major Federal Program**

We have audited The Downtown Miami Charter School, Inc.'s (the "School") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2017. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

**Opinion on Each Major Federal Program**

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

**Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-01. Our opinion on each major federal program is not modified with respect to this matter.

The School's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-01, that we consider to be a significant deficiency.

The School's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



KEEFE MCCULLOUGH

Fort Lauderdale, Florida  
September 12, 2017

## INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors  
The Downtown Miami Charter School, Inc.  
Miami, Florida

### Report on the Financial Statements

We have audited the financial statements of The Downtown Miami Charter School, Inc. (the "School"), a component unit of the School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2017, and have issued our report thereon dated September 12, 2017.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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 30, 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. There were no recommendations made in the preceding 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 The Downtown Miami Charter School, Inc.

### Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, require that we report the results of our determination as to whether or not the School 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 School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

### **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.



KEEFE MCCULLOUGH

Fort Lauderdale, Florida  
September 12, 2017

**The Downtown Miami Charter School, Inc.  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017**

<b>Federal Agency/Federal Program</b>	<b>CFDA Number</b>	<b>Contract/ Grant Number</b>	<b>Expenditures</b>	<b>Transfers to Subrecipients</b>
<b>Federal Agency Name</b>				
Indirect Programs:				
U.S. Department of Agriculture -				
Passed through Florida Department of Agriculture -				
Child Nutrition Cluster:				
National School Lunch Program	10.555	-	\$ 306,745	\$ -
School Breakfast Program	10.553	-	54,198	-
			<u>360,943</u>	
Department of Education -				
Passed through Florida Department of Education -				
Title I Grants to Local Educational Agencies	84.010	-	188,370	-
Twenty-First Century Community Learning Centers	84.287	-	438,316	-
Title III, Part A, English Language Acquisition	84.365A	-	221	-
Total expenditures of Federal awards			<u>\$ 987,850</u>	<u>\$ -</u>

**The Downtown Miami Charter School, Inc.**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

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**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of The Downtown Miami Charter School, Inc. (the "School") under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the School.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**Note 3 - Contingency**

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the School. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and state laws and other applicable regulations.

**Note 4 - Indirect Cost Rate**

As applicable, the School has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**The Downtown Miami Charter School, Inc.  
Schedule of Findings and Questioned Costs  
Federal Awards Program  
For the Year Ended June 30, 2017**

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**A. Summary of Auditors' Results**

1. The auditor's report dated September 12, 2017 expresses an unmodified opinion on the financial statements of The Downtown Miami Charter School, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of The Downtown Miami Charter School, Inc. were disclosed during the audit.
4. A significant deficiency in compliance and in internal control relating to the audit of a major Federal program is reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major Federal programs for The Downtown Miami Charter School, Inc. expresses an unmodified opinion.
6. Audit findings relative to the major Federal programs for The Downtown Miami Charter School, Inc. are reported in Part C of this schedule.
7. The programs tested as major programs are as follows:

<u>Federal Award Program</u>	<u>CDFA Number</u>
U.S. Department of Agriculture - National School Lunch Program	10.555
School Breakfast Program	10.553
U.S. Department of Education - Twenty-First Century Community Learning Centers	84.287

8. The threshold for distinguishing Type A and Type B programs was \$ 750,000.
9. The Downtown Miami Charter School, Inc. was not determined to be a low risk auditee.

**B. Findings - Financial Statement Audit**

No matters were reported.

**C. Findings and Questioned Costs - Major Federal Program Audit**

Finding number 2016-01 discussed in the summary schedule of prior audit findings is applicable under this section.

**D. Other Issues**

1. A separate management letter was not issued.
2. A schedule of prior audit findings is required because there were prior audit findings related to Federal programs.
3. A corrective action plan is required in accordance with Uniform Guidance.

**The Downtown Miami Charter School, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**For the Year Ended June 30, 2017**

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**U.S. Department of Agriculture**

Passed through the Florida Department of Agriculture

Child Nutrition Cluster: School Breakfast Program, CFDA No. 10.553 and National School Lunch Program, CFDA No. 10.555

Reference Number	Finding - Significant Deficiency	Questioned Cost
2016-01	Questioned eligibility of certain students receiving free meals	Unknown
	<i>Condition:</i>	
	<p>During our prior audit of compliance and review of benefit issuance documents, it was noted that various students selected for testing had been approved to receive free meal benefits based on direct certification status (roster), but there was no evidence found to support that these students should be receiving benefits at this level. These students did have a household application on file that supported, reduced or denied benefits. In addition, there was one student selected for testing that had been approved for free meal benefits, but there was no application or other qualifying document on file to support the approval of benefits at this level.</p>	
	<i>Recommendation:</i>	
	<p>We recommended that the National School Lunch Program and School Breakfast Program develop internal control procedures to ensure that the student meal eligibility information is accurately reported from the household application to the student roster.</p>	
	<i>Current Status:</i>	
	<p>All of the students that we tested for the year ending June 30, 2017 that had direct certification status had proper eligibility documentation in their files. However, we feel that the finding is only partially corrected because for the year ended June 30, 2017, the School was unable to provide applications for two students selected for testing and there was inconsistent eligibility status between the household application, student roster, and direct certification listing for one other student selected for testing. We recommend that the School develops a process that ensures all students have applications on file and that the School participates in the Community Eligibility Provision (CEP), which is a non-pricing meal service option for schools in low-income areas. It is our understanding that the School is eligible for CEP.</p>	

*Management's Response:*

The School Cafeteria Supervisor, Maria Alessandri, participated in two trainings on how to correctly process household applications. These trainings took place on March 17, 2017 and August 16, 2017. At the end of the 2017 school year, the School conducted a second party review of all household applications to ensure household applications are being approved correctly based on the most current "Eligibility Manual for School Meals: Federal Policy for Determining and Verifying Eligibility". The School staff compared all household applications to the student roster/point of sale to ensure students are receiving the meal benefits which they are entitled. This process should continue on an annual basis. In September 2016, management implemented new measures within the point of sale that prevented school staff from making any changes to the direct certification status of a student. All direct certification changes now must go through the Operations Department to be confirmed first. This process ensures only students with the proper supporting documentation receive direct certified meal benefits. In May of 2016, management offered the School the option to participate in the Community Eligibility Provision (CEP) for the 2017 school year, however due to concerns with Title I eligibility, School leadership did not elect to participate. Management will continue to encourage the School to participate in the Community Eligibility Provision (CEP) for future school years to prevent these eligibility errors from occurring.