

**THE CHARTER SCHOOL
AT WATERSTONE, INC.**

A Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

**INDEPENDENT AUDITOR'S REPORT and
FEDERAL SINGLE AUDIT**

for the fiscal year ended JUNE 30, 2018

King & Walker, CPAs, PL

Certified Public Accountants

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THE CHARTER SCHOOL AT WATERSTONE, INC.

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Independent Auditor's Report

To the Board of Directors of The Charter School at Waterstone, Inc.,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, 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 Charter School at Waterstone, Inc. ("School"), a component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, 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 *Governmental 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 School'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 School'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 opinion.

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 Charter School at Waterstone, Inc., as of June 30, 2018, and the respective changes in financial position thereof for the year 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, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as shown in the table of contents, 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 historic 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 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

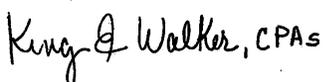
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 10, 2018 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.

Respectfully submitted,

 King & Walker, CPAs

September 10, 2018
Tampa, Florida

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of The Charter School at Waterstone, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2018.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2018, the School's revenues exceeded expenses as shown on the School's statement of activities by \$44,637.
- As shown on the statement of net position, the School reported an unrestricted net position balance of \$2,411,916.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations and internal account activities, a Capital Projects Fund to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays, and a Special Revenue Fund to account for Federal grant programs and food services. The General Fund and Special Revenue Fund are considered major funds. Data from other governmental funds are combined into a single aggregate presentation.

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

Notes to 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 CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the School's current year and prior year net position:

	Net Position, End of Year		
	Governmental Activities		
	6-30-17	6-30-18	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 3,248,899	\$ 4,068,812	\$ 819,913
Capital Assets, Net	246,118	305,630	59,512
Total Assets	3,495,017	4,374,442	879,425
LIABILITIES			
Current Liabilities	822,108	1,656,896	834,788
Total Liabilities	822,108	1,656,896	834,788
NET POSITION			
Net Investment in Capital Assets	246,118	305,630	59,512
Unrestricted	2,426,791	2,411,916	(14,875)
Total Net Position	\$ 2,672,909	\$ 2,717,546	\$ 44,637

The largest portion of the School's assets are cash and cash equivalents (83%). Liabilities consists of vendor accounts payable, salaries and benefits payable, and due to other agencies at the fiscal year end. The School reported an unrestricted net position balance of \$2,411,916.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the School's net position for the current year and prior year:

	Operating Results for the Year		
	Governmental Activities		
	6-30-17	6-30-18	Increase (Decrease)
Revenues:			
Federal through State and Local	\$ 2,775,309	\$ 2,999,131	\$ 223,822
State Sources	7,132,003	6,788,015	(343,988)
Local and Other	413,516	1,250,481	836,965
Total Revenues	10,320,828	11,037,627	716,799
Expenses:			
Instruction	3,233,954	3,341,308	107,354
Pupil Personnel Services	1,872	26,118	24,246
Instructional Media	6,468	481	(5,987)
Instruction & Curriculum Development	137,274	71,565	(65,709)
Instructional Staff Training	8,521	1,113	(7,408)
Instruction Related Technology	113,440	45,435	(68,005)
Board of Education	566,325	548,833	(17,492)
School Administration	380,371	512,006	131,635
Facilities Acq. & Construction	1,386,921	1,428,529	41,608
Fiscal Services	357,595	338,619	(18,976)
Food Services	2,605,925	3,632,527	1,026,602
Pupil Transportation	153,940	150,340	(3,600)
Operation of Plant	600,820	602,369	1,549
Maintenance of Plant	46,634	72,767	26,133
Community Service	171,439	146,468	(24,971)
Unallocated Depreciation	47,049	74,512	27,463
Total Expenses	9,818,548	10,992,990	1,174,442
Increase/(Decrease) in Net Position	\$ 502,280	\$ 44,637	\$ (457,643)

The largest revenue source for the School is the State of Florida (61%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. The largest concentration of expenses were for Instruction related functions (32%), food service costs (33%), and facility costs (13%), which primarily consisted of the school building operating lease during the year.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School and Component Unit of the District School Board of Miami-Dade County, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$2,411,916.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2018, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Actual expenditures were equal to the final budgeted expenditures. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The School's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$305,630 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment and leasehold improvements. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2019 include:

- Continued funding from FEFP.
- Expected increase in enrollment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of The Charter School at Waterstone, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Charter School Associates, Inc., 5471 N. University Drive, Coral Springs, FL 33067.

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 3,621,749
Due From Other Agencies	40,673
Accounts Receivable	244,642
Prepaid Expenses and Deposits	161,748
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	180,923
Leasehold Improvements, Net	124,707
Total Capital Assets, Net	<u>305,630</u>
TOTAL ASSETS	<u><u>4,374,442</u></u>
LIABILITIES	
Accounts Payable	1,273,870
Salaries & Benefits Payable	363,981
Due to Other Agencies	19,045
TOTAL LIABILITIES	<u><u>1,656,896</u></u>
NET POSITION	
Net Investment in Capital Assets	305,630
Unrestricted	2,411,916
TOTAL NET POSITION	<u><u>\$ 2,717,546</u></u>

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

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

		Program Revenues			Net (Expenses) Revenue and Changes in net position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 3,341,308	\$ -	\$ 202,997	\$ -	\$ (3,138,311)
Pupil Personnel Services	26,118		2,623		(23,495)
Instructional Media	481				(481)
Instruction & Curriculum Development	71,565		56,725		(14,840)
Instructional Staff Training	1,113				(1,113)
Instruction Related Technology	45,435				(45,435)
Board of Education	548,833				(548,833)
School Administration	512,006				(512,006)
Facilities Acquisition & Construction	1,428,529			668,848	(759,681)
Fiscal Services	338,619				(338,619)
Food Services	3,632,527	610,659	2,769,442		(252,426)
Pupil Transportation	150,340				(150,340)
Operation of Plant	602,369				(602,369)
Maintenance of Plant	72,767				(72,767)
Community Service	146,468	170,657			24,189
Unallocated Depreciation	74,512				(74,512)
Total Governmental Activities	<u>\$ 10,992,990</u>	<u>\$ 781,316</u>	<u>\$ 3,031,787</u>	<u>\$ 668,848</u>	<u>(6,511,039)</u>
General Revenues:					
State Sources					6,352,475
Grants and Contributions not restricted to specific program					5,603
Local and Other					197,598
Total General Revenues					<u>6,555,676</u>
Change in Net Position					44,637
Net Position - July 1, 2017					2,672,909
Net Position - June 30, 2018					<u>\$ 2,717,546</u>

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

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 2,960,427	\$ 661,322	\$ -	\$ 3,621,749
Due From Other Agencies		28,106	12,567	40,673
Accounts Receivable	244,642			244,642
Prepaid Expenses and Deposits	161,748			161,748
Due From Other Fund	12,567	551,534		564,101
Total Assets	\$ 3,379,384	\$ 1,240,962	\$ 12,567	\$ 4,632,913
LIABILITIES				
Accounts Payable	\$ 34,321	\$ 1,239,549	\$ -	\$ 1,273,870
Salaries & Benefits Payable	362,568	1,413		363,981
Due to Other Agencies	19,045			19,045
Due to Other Funds	551,534		12,567	564,101
Total Liabilities	967,468	1,240,962	12,567	2,220,997
FUND BALANCE				
Nonspendable	161,748			161,748
Spendable - Unassigned	2,250,168			2,250,168
Total Fund Balances	2,411,916	-	-	2,411,916
Total Liabilities and Fund Balances	\$ 3,379,384	\$ 1,240,962	\$ 12,567	\$ 4,632,913

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

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total Fund Balances - Governmental Funds	\$ 2,411,916
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	<u>305,630</u>
Total Net Position - Governmental Activities	<u><u>\$ 2,717,546</u></u>

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

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

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

For the Fiscal Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ -	\$ 2,999,131	\$ -	\$ 2,999,131
State Sources	6,589,396	32,656	165,963	6,788,015
Local and Other	373,858	610,659	265,964	1,250,481
Total Revenues	6,963,254	3,642,446	431,927	11,037,627
Expenditures				
Current - Education:				
Instruction	3,226,511	114,797		3,341,308
Pupil Personnel Services	23,495	2,623		26,118
Instructional Media	481			481
Instruction & Curriculum Development	14,840	56,725		71,565
Instructional Staff Training	1,113			1,113
Instruction Related Technology	45,435			45,435
Board of Education	548,833			548,833
School Administration	512,006			512,006
Facilities Acquisition & Construction	996,602		431,927	1,428,529
Fiscal Services	338,619			338,619
Food Services		3,632,527		3,632,527
Pupil Transportation	150,340			150,340
Operation of Plant	602,369			602,369
Maintenance of Plant	72,767			72,767
Community Service	146,468			146,468
Fixed Capital Outlay:				
Other Capital Outlay	24,953	109,071		134,024
Total Expenditures	6,704,832	3,915,743	431,927	11,052,502
Excess (Deficiency) of Revenues Over Expenditures	258,422	(273,297)		(14,875)
Other Financing Sources (Uses):				
Operating Transfers In		273,297		273,297
Operating Transfers (Out)	(273,297)			(273,297)
Total Other Financing Sources (Uses)	(273,297)	273,297		
Net Change in Fund Balances	(14,875)			(14,875)
Fund Balances, July 1, 2017	2,426,791			2,426,791
Fund Balances, June 30, 2018	\$ 2,411,916	\$	\$	\$ 2,411,916

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

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Governmental Funds	\$ (14,875)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

This is the amount of capital outlay (\$134,024) in excess of depreciation expense (\$74,512) in the current period.

59,512

Change in Net Position - Governmental Activities	<u><u>\$ 44,637</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

The Charter School at Waterstone, Inc. ("School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of not less than three members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Miami-Dade County, Florida, ("District"). The School's current charter is effective until June 30, 2025, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter's expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria 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.

➤ **Basis of Presentation**

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

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

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

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

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

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for federal grant programs and food service operations.

All other governmental funds are non-major and are presented in the aggregate.

➤ Basis of Accounting

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ Cash and Cash Equivalents

Cash and cash equivalents are defined as demand deposits, money market accounts, and short term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School's deposits are placed with banks and savings and loans which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial risk.

➤ Capital Assets

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	3 - 20 years
Leasehold Improvements	5 - 15 years

Current-year information relative to changes in capital assets is described in a subsequent note.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

➤ 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 then. The School does not have any items that qualify for reporting in this category.

➤ Net Position and Fund Balance Classification

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School’s compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2018, the School reported 910.43 unweighted FTE and 983.21 weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044 FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503 FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503 FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411 FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state 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 or state 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 receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

3. ACCOUNTS RECEIVABLE – RELATED PARTY

The accounts receivable on the School's statement of net position and balance sheet – governmental funds consists of amounts due from other charter schools, operated by the same management company, for shared expenses paid on their behalf and awaiting reimbursement. These receivables are considered fully collectible and therefore, no allowance for uncollectible accounts has been established.

4. DUE FROM OTHER AGENCIES

The amounts Due from Other Agencies included in the accompanying statement of net position and balance sheet – governmental funds primarily consists of amounts due from the Florida Department of Education under the Charter School Capital Outlay program recorded in the Capital Projects Fund, and amounts due from the Florida Department of Agriculture and Consumer Services for the National School Lunch Program recorded in the Special Revenue Funds. These receivables are considered to be fully collectible and as such, no allowance for uncollectible accounts has been established.

5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At June 30, 2018, the General Fund owed the Special Revenue Fund \$551,534 and the Capital Projects Fund owed the General Fund \$12,567 for expenditures awaiting reimbursement. The General Fund transferred \$273,297 to the Special Revenue Fund to provide financial support for the School's food service operations. The amounts of interfund receivables, payables, and transfers are netted together and not reported in the statement of net position and the statement of activities.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Furniture, Fixtures and Equipment	\$ 934,018	\$ 134,024	\$ -	\$ 1,068,042
Leasehold Improvements	217,311			217,311
Total Capital Assets Being Depreciated	<u>1,151,329</u>	<u>134,024</u>	<u>-</u>	<u>1,285,353</u>
Less Accumulated Depreciation for:				
Furniture, Fixtures and Equipment	(825,847)	(61,272)		(887,119)
Leasehold Improvements	(79,364)	(13,240)		(92,604)
Total Accumulated Depreciation	<u>(905,211)</u>	<u>(74,512)</u>	<u>-</u>	<u>(979,723)</u>
Governmental Activities Capital Assets, net	<u>\$ 246,118</u>	<u>\$ 59,512</u>	<u>\$ -</u>	<u>\$ 305,630</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

7. DUE TO OTHER AGENCIES

The amounts Due to Other Agencies included in the accompanying statement of net position and balance sheet – governmental funds primarily consists of amounts due to other governmental agencies.

8. ACCOUNTS PAYABLE – RELATED PARTY

Accounts payable as reported in the accompanying statement of net position and balance sheet – governmental funds includes amounts payable to other charter schools for the National School Lunch and Breakfast Program totaling \$1,108,138 and for accrued liabilities for goods or services provided by vendors totaling \$223, which resulted from shared expenditures paid by the School, a related party, on behalf of the other charter schools.

9. FUNDING AND CREDIT CONCENTRATIONS

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

10. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue for the 2016-17 fiscal years:

Source	Amount
Florida Education Finance Program	\$ 4,554,401
Class Size Reduction	1,140,711
Supplementary Academic Instruction	303,445
FEFP Restricted Capital Outlay	236,921
Charter School Capital Outlay	165,963
ESE Guaranteed Allocation	81,832
Instructional Materials	68,630
Transportation	65,883
Best & Brightest Teacher Scholarship	42,200
Reading Allocation	39,854
Safe School	24,948
School Lunch Revenue Match	20,812
Digital Classrooms Allocation	15,492
FL Teachers Classroom Supply Program	15,079
General Revenue Breakfast Supplement	8,510
Miscellaneous State	3,334
Total State Revenue	<u>\$ 6,788,015</u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$89,685.

11. FACILITY LEASE

The School entered into a 30 year noncancelable operating lease for its educational facility beginning August 1, 2005, through July 31, 2035. In accordance with the agreement, the School is required to maintain the premises at its own expense. Rental expenditures under this lease agreement for the fiscal year amounted to \$1,661,080. For the 2017-2018 fiscal year, the School's portion was \$1,428,529 and a portion of the space included in the operating lease was assigned to and paid by Advantage Academy of Math and Science at Waterstone in the amount of \$232,551.

12. OPERATING AGREEMENT

The School entered into an amended agreement May 21, 2015 for a term of five years. The term of the agreement may be extended for a period up to five years, or a term equal to the School's charter renewal, should the parties decide that it is in the best interest of the School to continue the agreement. The management contract calls for Charter School Associates, Inc. (CSA) to provide the School with marketing, curriculum design and implementation; student and staff recruiting; principal selection; and general management of the School's operations. An annual management fee is to be 11% of the School's gross operating revenue less the School's administrative fee, plus 3% of grants

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

obtained by CSA on behalf of the School, if allowed under the grant conditions. The Management Fee is paid in monthly installments and total fees paid to CSA during the fiscal year amounted to \$735,090.

13. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity 401(k) plan for employees with more than one year of service with the School. Contributions made by the School totaled \$16,110 for the year ended June 30, 2018, which were computed at 1.5% of employee compensation for each participating employee. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The rate of contribution is set annually by the School's Board of Directors.

14. RISK MANAGEMENT PROGRAMS

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

15. COMMITMENTS AND CONTINGENT LIABILITIES

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2018, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

16. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2018

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal Through State and Local	\$ -	\$ -	\$ -	\$ -	\$ 3,728,872	\$ 2,999,131	\$ 2,999,131	\$ -
State Sources	6,665,857	6,589,396	6,589,396	-		32,656	32,656	-
Local and Other	834,263	373,858	373,858	-	924,505	610,659	610,659	-
Total Revenues	7,500,120	6,963,254	6,963,254	-	4,653,377	3,642,446	3,642,446	-
Expenditures:								
Current - Education:								
Instruction	3,133,047	3,226,511	3,226,511	-	135,795	114,797	114,797	-
Pupil Personnel Services		23,495	23,495	-	2,623	2,623	2,623	-
Instructional Media	5,356	481	481	-		-	-	-
Instruction & Curriculum Development	88,592	14,840	14,840	-	35,727	56,725	56,725	-
Instructional Staff Training	7,055	1,113	1,113	-		-	-	-
Instruction Related Technology	139,386	45,435	45,435	-		-	-	-
Board of Education	609,863	548,833	548,833	-		-	-	-
School Administration	612,078	512,006	512,006	-		-	-	-
Facilities Acquisition & Construction	1,208,818	996,602	996,602	-		-	-	-
Fiscal Services	339,526	338,619	338,619	-		-	-	-
Food Services		-	-	-	4,288,997	3,632,527	3,632,527	-
Pupil Transportation	149,464	150,340	150,340	-		-	-	-
Operation of Plant	659,901	602,369	602,369	-		-	-	-
Maintenance of Plant	45,466	72,767	72,767	-		-	-	-
Community Service	203,238	146,468	146,468	-		-	-	-
Fixed Capital Outlay:								
Facilities Acquisition	42,632	-	-	-		-	-	-
Other Capital Outlay	53,894	24,953	24,953	-	88,200	109,071	109,071	-
Total Expenditures	7,298,316	6,704,832	6,704,832	-	4,551,342	3,915,743	3,915,743	-
Excess (Deficiency) of Revenues Over Expenditures	201,804	258,422	258,422	-	102,035	(273,297)	(273,297)	-
Other Financing Sources (Uses):								
Operating Transfers In	102,035	-	-	-		273,297	273,297	-
Operating Transfers (Out)		(273,297)	(273,297)	-	(102,035)	-	-	-
Total Other Financing Sources (Uses)	102,035	(273,297)	(273,297)	-	(102,035)	273,297	273,297	-
Net Change in Fund Balances	303,839	(14,875)	(14,875)	-	-	-	-	-
Fund Balances, July 1, 2017	2,426,791	2,426,791	2,426,791	-				-
Fund Balances, June 30, 2018	\$ 2,730,630	2,411,916	\$ 2,411,916	\$ -	\$ -	-	\$ -	\$ -

See Independent Auditor's Report.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2018

1. BUDGETARY BASIS OF 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 benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

THE CHARTER SCHOOL AT WATERSTONE, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Catalog of Federal Domestic Assistance Number	Pass - Through Grantor Number	Amount of Expenditures
United States Department of Agriculture:			
Indirect:			
Child Nutrition Cluster:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	14002	\$ 261,990
National School Lunch Program	10.555	14001	<u>2,474,796</u>
Total United States Department of Agriculture			<u><u>2,736,786</u></u>
United States Department of Education:			
Indirect:			
Miami-Dade County District School Board:			
Title I Grants to Local Education Agencies	84.010	NA	<u>262,345</u>
Total United States Department of Education			<u><u>262,345</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 2,999,131</u></u>

See Independent Auditor's Report.

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(B)(6)**

June 30, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the School under programs of the federal government for the year ended June 30, 2018. The information on this Schedule is prepared 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).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE C - SUBRECIPIENTS

The School passes certain federal awards received from the United States Department of Agriculture – Child Nutrition Cluster to other Schools or not-for-profit agencies (subrecipients).

The School has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award’s performance goals.

NOTE D – NONCASH ASSISTANCE

The Child Nutrition Cluster includes amounts for donated food received in the fiscal year totaling \$141,857. Donated food is valued at fair value as determined at the time of donation by the Florida Department of Agriculture and Consumer Services, Bureau of Food Distribution.

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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 of The Charter School at Waterstone, Inc.,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, 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 Charter School at Waterstone, Inc. ("School"), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the year ended June 30, 2018, 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 10, 2018.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 10, 2018
Tampa, Florida

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Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors of The Charter School at Waterstone, Inc.,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

Report on Compliance for Each Major Federal Program

We have audited The Charter School at Waterstone, Inc.'s ("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 fiscal year ended June 30, 2018. 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, 2018.

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 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 managements 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, yet important enough to merit attention by those charged with governance.

Our consideration of the 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, material weaknesses may exist that have not been identified.

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.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 10, 2018
Tampa, Florida

THE CHARTER SCHOOL AT WATERSTONE, INC.

A Charter School And Component Unit of the District School Board of Miami-Dade County, Florida

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200

June 30, 2018

Section I - SUMMARY OF AUDIT RESULTS

As required by Title 2 U.S. Code of Federal Regulations Section 200.515, the following is a summary of the results of the audit of The Charter School at Waterstone, Inc., for the fiscal year ended June 30, 2018:

<u>Financial Statements</u>	<u>Results</u>
Type of Financial Statement Opinion	Unmodified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported.
Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
Internal control over major program:	
Material weakness identified?	No
Significant deficiency identified that is not considered to be a material weakness?	None reported.
Type of auditor's report issued on compliance for major program?	Unmodified
Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a)?	No
Identification of major program:	Child Nutrition Cluster (CFDA#'s 10.553, 10.555)
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Section IV – STATUS OF PRIOR YEAR FINDINGS

No matters were reported.

Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

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

To the Board of Directors of The Charter School at Waterstone, Inc.,
a Charter School and Component Unit of the
District School Board of Miami-Dade County, Florida

Report on the Financial Statements

We have audited the basic financial statements of The Charter School at Waterstone, Inc. (“School”), a charter school and component unit of the District School Board of Miami-Dade County, Florida, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated September 10, 2018.

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; 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 Reporting Required by *Government Auditing Standards*

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*, independent auditor’s report on compliance for each major federal program and report on internal control over compliance, and schedule of findings and questioned costs. Disclosures in those reports and schedule, which are dated September 10, 2018, 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. The School did not have 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 The Charter School at Waterstone, 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 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, applicable management, and the District School Board of Miami-Dade County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 10, 2018
Tampa, Florida