

**RIVER CITY SCIENCE ACADEMY**

A Charter School and Component Unit of the  
District School Board of Duval County, Florida

INDEPENDENT AUDITOR'S REPORT

*for the fiscal year ended JUNE 30, 2013*

*King & Walker, CPAs, PL*

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*Certified Public Accountants*

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# RIVER CITY SCIENCE ACADEMY

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**Independent Auditor's Report on Basic Financial Statements and  
Required Supplementary Information**

To the Board of Directors River City Science Academy,  
a Charter School and Component Unit of the  
District School Board of Duval 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 River City Science Academy ("School"), a charter school and component unit of the District School Board of Duval County, Florida, as of and for the year ended June 30, 2013, 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 River City Science Academy, as of June 30, 2013, 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 and the Budgetary Comparison Schedule on pages 3-7 and 25 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2013 on our consideration of River City Science Academy'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 River City Science Academy's internal control over financial reporting and compliance.

Respectfully submitted,

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

July 19, 2013  
Tampa, Florida

# **RIVER CITY SCIENCE ACADEMY**

*A Charter School and Component Unit of the District School Board of Duval County, Florida*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management's Discussion and Analysis (MD&A) section of the annual financial report of the River City Science Academy ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2013.

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 found on pages 8 through 24.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2013, the School's revenues exceeded expenses as shown on the School's statement of activities by \$50,591.
- At June 30, 2013, the School reported total net assets of \$421,784.

### **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 assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets 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 assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets 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.

#### **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 financial 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 financial 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 financial 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 three funds: a General Fund, a Special Revenue Fund, and a Capital Projects Fund. The School has elected to show each fund as a major fund.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and the 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2012, and June 30, 2013:

	<b>Net Assets, End of Year</b>		
	Governmental Activities		
	6-30-12	6-30-13	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 214,883	\$ 261,746	\$ 46,863
Capital Assets, net	171,757	218,262	46,505
Total Assets	<u>\$ 386,640</u>	<u>\$ 480,008</u>	<u>\$ 93,368</u>
<b>LIABILITIES</b>			
Current Liabilities	\$ 15,447	\$ 26,399	\$ 10,952
Long Term Liabilities	-	31,825	31,825
Total Liabilities	<u>15,447</u>	<u>58,224</u>	<u>42,777</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Debt	171,757	186,437	14,680
Unrestricted	199,436	235,347	35,911
Total Net Assets	<u>371,193</u>	<u>421,784</u>	<u>50,591</u>
Total Liabilities and Net Assets	<u>\$ 386,640</u>	<u>\$ 480,008</u>	<u>\$ 93,368</u>

Current and other assets consist primarily of cash and deposit receivable. The School's liabilities are comprised of accounts payable and a long-term capital lease payable. The School's total net assets amounted to \$421,784, which included Unrestricted Net Assets of \$235,347.



The key elements of the changes in the School's net assets for the fiscal year ended June 30, 2012, and June 30, 2013, are as follows:

	Governmental Activities		
	6-30-12	6-30-13	Increase (Decrease)
<b>Revenues:</b>			
Federal Through Local	\$ 92,020	\$ 122,720	\$ 30,700
State and Local sources	3,404,110	4,456,012	1,051,902
Contributions and other	142,811	134,000	(8,811)
<b>Total Revenues</b>	<b>3,638,941</b>	<b>4,712,732</b>	<b>1,073,791</b>
<b>Expenses:</b>			
Instruction	1,757,895	2,309,475	551,580
Pupil Personnel Services	41,048	94,046	52,998
Instructional Media	26,476	26,706	230
Instructional Staff Training	10,514	27,572	17,058
Board of Education	33,089	50,094	17,005
School Administration	610,433	620,268	9,835
Facilities Acquisition & Construction	495,000	642,959	147,959
Fiscal Services	126,618	123,478	(3,140)
Food Services	125,928	157,773	31,845
Central Services	6,531	6,672	141
Pupil Transportation	258,770	235,825	(22,945)
Operation of Plant	156,311	139,849	(16,462)
Maintenance of Plant	34,580	30,497	(4,083)
Community Service	88,284	133,718	45,434
Interest on Debt	-	1,839	1,839
Unallocated Depreciation	45,161	53,740	8,579
Loss on Disposal of Capital Assets	-	7,630	7,630
<b>Total Expenses</b>	<b>3,816,638</b>	<b>4,662,141</b>	<b>845,503</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ (177,697)</b>	<b>\$ 50,591</b>	<b>\$ 228,288</b>

The largest revenue source for the School is the State of Florida (88%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

### **Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$235,347.

### **BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2013, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. For the fiscal year ended June 30, 2013, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule on page 25 for additional information.

### **CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2013, amounts to \$218,262 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures, and equipment, assets under capital lease, and computer equipment. Additional information regarding the School's capital assets can be found in note 3 to the financial statements.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the River City Science Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, River City Science Academy 7565 Beach Blvd., Jacksonville, FL 32216.

**RIVER CITY SCIENCE ACADEMY**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS**

*June 30, 2013*

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 115,712
Accounts Receivable	1,752
Due from Other Agencies	17,782
Deposits Receivable	126,500
Total Current Assets	<u>261,746</u>
Capital Assets:	
Furniture, Fixtures, and Equipment, Net	124,614
Computer Equipment, Net	59,885
Assets Under Capital Lease, Net	33,763
Total Capital Assets, Net	<u>218,262</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 480,008</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 19,784
Deferred Revenue	6,615
Long Term Liabilities:	
Capital Lease Payable, due after one year	18,629
Capital Lease Payable, due within one year	13,196
<b>TOTAL LIABILITIES</b>	<u>58,224</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	186,437
Unrestricted	235,347
Total Net Assets	<u>421,784</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 480,008</u></u>

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

**RIVER CITY SCIENCE ACADEMY**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2013*

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 2,309,475	\$ -	\$ -	\$ -	\$ (2,309,475)	\$ (2,309,475)
Pupil Personnel Services	94,046				(94,046)	(94,046)
Instructional Media	26,706				(26,706)	(26,706)
Instructional Staff Training	27,572				(27,572)	(27,572)
Board of Education	50,094				(50,094)	(50,094)
School Administration	620,268				(620,268)	(620,268)
Facilities Acquisition & Construction	642,959			240,503	(402,456)	(402,456)
Fiscal Services	123,478				(123,478)	(123,478)
Food Services	157,773	31,251	122,720		(3,802)	(3,802)
Central Services	6,672				(6,672)	(6,672)
Pupil Transportation	235,825				(235,825)	(235,825)
Operation of Plant	139,849				(139,849)	(139,849)
Maintenance of Plant	30,497				(30,497)	(30,497)
Community Service	133,718	42,681			(91,037)	(91,037)
Debt Service - Interest	1,839				(1,839)	(1,839)
Unallocated Depreciation	53,740				(53,740)	(53,740)
Loss on Disposal of Capital Assets	7,630				(7,630)	(7,630)
<b>Total Governmental Activities</b>	<b>\$ 4,662,141</b>	<b>\$ 73,932</b>	<b>\$ 122,720</b>	<b>\$ 240,503</b>	<b>(4,224,986)</b>	<b>(4,224,986)</b>
General Revenues:						
State and Local sources					4,184,258	4,184,258
Contributions and Other					91,319	91,319
					<b>4,275,577</b>	<b>4,275,577</b>
Change in Net Assets					50,591	50,591
Net Assets - July 1, 2012					371,193	371,193
Net Assets - June 30, 2013					<b>\$ 421,784</b>	<b>\$ 421,784</b>

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

**RIVER CITY SCIENCE ACADEMY**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS***  
***June 30, 2013***

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 115,712	\$ -	\$ -	\$ 115,712
Accounts Receivable	1,752			1,752
Due from Other Agencies	17,782			17,782
Deposits Receivable	126,500			126,500
Total Assets	\$ 261,746	\$ -	\$ -	\$ 261,746
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts Payable	\$ 19,784	\$	\$	\$ 19,784
Deferred Revenue	6,615			6,615
Total Liabilities	26,399	-	-	26,399
Fund Balances:				
Nonspendable	126,500			126,500
Spendable:				
Unassigned	108,847			108,847
Total Fund Balances	235,347	-	-	235,347
Total Liabilities and Fund Balances	\$ 261,746	\$ -	\$ -	\$ 261,746

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

**RIVER CITY SCIENCE ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

*June 30, 2013*

<b>Total Fund Balances - Governmental Funds</b>	\$ 235,347
Amounts reported for governmental activities in the statement of net assets 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.	218,262
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	(31,825)
	<hr/>
<b>Total Net Assets - Governmental Activities</b>	<u><u>\$ 421,784</u></u>

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

**RIVER CITY SCIENCE ACADEMY**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2013*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Through Local	\$ -	\$ 122,720	\$ -	\$ 122,720
State and Local	4,184,258	31,251	240,503	4,456,012
Contributions and Other	134,000			134,000
<b>Total Revenues</b>	<b>4,318,258</b>	<b>153,971</b>	<b>240,503</b>	<b>4,712,732</b>
<b>Expenditures</b>				
Current - Education:				
Instruction	\$ 2,309,475	\$ -	\$ -	\$ 2,309,475
Pupil Personnel Services	94,046			94,046
Instructional Media	26,706			26,706
Instructional Staff Training	27,572			27,572
Board of Education	50,094			50,094
School Administration	620,268			620,268
Facilities Acquisition & Construction	402,456		240,503	642,959
Fiscal Services	123,478			123,478
Food Services		157,773		157,773
Central Services	6,672			6,672
Pupil Transportation	235,825			235,825
Operation of Plant	139,849			139,849
Maintenance of Plant	30,497			30,497
Community Service	133,718			133,718
Fixed Capital Outlay:				
Other Capital Outlay	107,875			107,875
Debt Service:				
Principal	8,691			8,691
Interest	1,839			1,839
<b>Total Expenditures</b>	<b>4,319,061</b>	<b>157,773</b>	<b>240,503</b>	<b>4,717,337</b>
Excess (Deficiency) of Revenues Over Expenditures	(803)	(3,802)	-	(4,605)
Other Financing Sources (Uses):				
Proceeds from Long Term Debt	40,516	-	-	40,516
Transfers In/(Out)	(3,802)	3,802	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>36,714</b>	<b>3,802</b>	<b>-</b>	<b>40,516</b>
<b>Net Change in Fund Balances</b>	<b>35,911</b>	<b>-</b>	<b>-</b>	<b>35,911</b>
Fund Balances, July 1, 2012	199,436	-	-	199,436
<b>Fund Balances, June 30, 2013</b>	<b>\$ 235,347</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 235,347</b>

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

**RIVER CITY SCIENCE ACADEMY  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF DUVAL 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, 2013***

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	35,911
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 outlays (\$107,875) in excess of depreciation expense (\$53,740) and losses from disposal of capital assets (\$7,630) in the current year.</p>		46,505
<p>Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Assets.</p>		8,691
<p>Long-term debt proceeds are reported as other financing sources in Governmental Funds and as long-term liabilities in the Statement of Net Assets.</p>		(40,516)
		(40,516)
<b>Change in Net Assets - Governmental Activities</b>	<b>\$</b>	<b>50,591</b>
		50,591

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



**RIVER CITY SCIENCE ACADEMY**  
**A Charter School and Component Unit of the District School Board of Duval County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

River City Science Academy (“School”) is a component unit of the District School Board of Duval County, Florida. The School is sponsored by its charter-holder, River City Educational Services, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The 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 Duval County School Board, Florida, (“District”). The current charter is effective until June 30, 2022, 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 assets 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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

associated with a service, program, or department and are thereby clearly identifiable to a particular function.

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 considers all of its funds as major governmental funds:

- 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 certain Federal grant program resources.
- Capital Projects Fund: to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

➤ **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

# RIVER CITY SCIENCE ACADEMY

A Charter School and Component Unit of the District School Board of Duval County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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 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 consist of demand deposits and a certificate of deposit with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **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 assets 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	3-7 years
Computer Equipment	5 years
Assets under Capital Lease	3 years

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

➤ **Budgets and Budgetary 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.

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

➤ **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 (FTE) 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 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, multiplies 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 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2013, the School reported 750.86 unweighted FTE and 758.79 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.

# RIVER CITY SCIENCE ACADEMY

A Charter School and Component Unit of the District School Board of Duval County, Florida

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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.

A schedule of revenue sources for the current year is presented in a subsequent note.

### ➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

### ➤ **Net Assets and Fund Balance Classification**

*Government-wide financial statements*

Net assets are classified and reported in three components:

- **Investment in capital assets, net of related debt** – 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 assets** – consists of net assets with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- **Unrestricted net assets** – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

*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

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

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.
- 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.

➤ **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.

➤ **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 assets and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

**RIVER CITY SCIENCE ACADEMY**

A Charter School and Component Unit of the District School Board of Duval County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**2. DUE FROM OTHER AGENCY**

The amounts Due from Other Agency included in the accompanying statement of net assets and balance sheet – governmental funds consists of amounts due from the National School Lunch Program and from the Florida Department of Education funds for Charter School Capital Outlay. These receivables are considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

**3. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Improvements Other Than Buildings	\$ 50,665	\$ -	\$ (50,665)	\$ -
Furniture, Fixtures and Equipment	202,124	3,210	-	205,334
Computer Equipment	41,136	64,149	-	105,285
Assets Under Capital Lease	-	40,516	-	40,516
Total Capital Assets Being Depreciated	<u>293,925</u>	<u>107,875</u>	<u>(50,665)</u>	<u>351,135</u>
Less Accumulated Depreciation for:				
Improvements Other Than Buildings	(41,966)	(1,069)	43,035	-
Furniture, Fixtures and Equipment	(51,751)	(28,969)	-	(80,720)
Computer Equipment	(28,451)	(16,949)	-	(45,400)
Assets Under Capital Lease	-	(6,753)	-	(6,753)
Total Accumulated Depreciation	<u>(122,168)</u>	<u>(53,740)</u>	<u>43,035</u>	<u>(132,873)</u>
Governmental Activities Capital Assets, Net	<u>\$ 171,757</u>	<u>\$ 54,135</u>	<u>\$ (7,630)</u>	<u>\$ 218,262</u>

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

**4. OBLIGATIONS UNDER CAPITAL LEASE**

The School is currently leasing computers and computer equipment with an asset value of \$40,516.

Future minimum capital lease payments and the present value of the minimum lease payments as of June 30 are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2014	15,054	13,196	1,858
2015	15,054	14,176	878
2016	4,524	4,453	71
Total Minimum Lease Payments	<u>\$ 34,632</u>	<u>\$ 31,825</u>	<u>\$ 2,807</u>

The imputed interest rates are 7.12 and 7.196 percent.

**RIVER CITY SCIENCE ACADEMY**

A Charter School and Component Unit of the District School Board of Duval County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**5. CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
GOVERNMENTAL ACTIVITIES:					
Capital Lease Payable	\$ -	\$ 40,516	\$ (8,691)	\$ 31,825	\$ 13,196
Total Governmental Activities	<u>\$ -</u>	<u>\$ 40,516</u>	<u>\$ (8,691)</u>	<u>\$ 31,825</u>	<u>\$ 13,196</u>

**6. SCHEDULE OF FEDERAL, STATE & LOCAL REVENUE SOURCES**

The following is a schedule of the School's Federal, State and local revenue:

<u>Source</u>	<u>Amount</u>
<i><u>FEDERAL:</u></i>	
National School Lunch Program	\$ 122,720
Total Federal Revenue	<u>\$ 122,720</u>
<i><u>STATE:</u></i>	
Florida Education Finance Program	\$ 2,743,075
Categorical Educational Programs:	
Class Size Reduction	693,835
Supplementary Academic Instruction	171,196
Transportation	116,441
Instructional Materials	56,319
Safe School	18,751
Capital Outlay	240,503
ESE Guaranteed Allocation	59,253
School Recognition	54,760
Florida Teachers' Lead Program	7,600
Total State Revenue	<u>4,161,733</u>
<i><u>LOCAL:</u></i>	
Discretionary Local Effort	208,850
Discretionary Millage	54,178
Student Lunches	31,251
Total Local Revenue	<u>294,279</u>
Total State and Local Revenue	<u>\$ 4,456,012</u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$34,308.

Accounting policies relating to certain State revenue sources are described in Note 1.



**RIVER CITY SCIENCE ACADEMY**

**A Charter School and Component Unit of the District School Board of Duval County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013**

**7. 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.

**8. 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 collectibility of any related receivables at June 30, 2013, 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.

**9. OPERATING LEASE COMMITMENTS**

The River City Educational Services, Inc., the School's charter-holder entered into a 15 year lease agreement for its educational facilities that began on December of 2011. The agreement calls for monthly rent payments of increasing rates each year. The facility is shared with River City Science Academy Elementary, another charter held by the same charter-holder. Rent expense is allocated between the two Schools based on square footage used. Total rent expense charged to operations for this facilities lease for the year ended June 30, 2013, totaled \$642,959. The schedule below shows the School's net lease obligation.

The following is a schedule, by years, of the School's portion of future minimum rental payments:

<u>Fiscal Year Ending June 30:</u>	<u>Facilities</u>
2014	590,031
2015	605,583
2016	623,730
2017	642,388
2018	661,555
2019-23	3,618,070
2024-27	<u>2,795,608</u>
Total Minimum Lease Payments	<u>\$ 9,536,965</u>

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**10. RETIREMENT PROGRAM**

**Defined Benefit Plan**

All regular School employees are covered by the Florida Retirement System (FRS). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (Plan). Plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of the FRS. Benefits in the Plan vest at six years of service. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest.

**Funding Policy**

The contribution rates for members are established, and may be amended, by the State of Florida. During the fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	5.18%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.11% for the post-employment health insurance supplement and 0.03% for administrative costs of the Public Employee optional Retirement Program.

(B) Contributions rates are dependent upon the retirement class in which reemployed.

The School's liability for participation in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contribution to the Plan for the year ended June 30, 2013 amounted to \$115,541, which was equal to the required contributions for the fiscal year.

**Defined Contribution Plan**

Effective July 1, 2002, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative available to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the

**RIVER CITY SCIENCE ACADEMY**  
**A Charter School and Component Unit of the District School Board of Duval County, Florida**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

ultimate benefit depends in part on the performance of investment funds. The PERORP is funded by employer contributions that are based on salary and membership class (i.e.: regular, reemployed retiree, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. The School had no PEORP participants during fiscal 2013.

**Pension Reporting**

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

**11. INTERFUND TRANSFERS**

The School's General Fund transferred \$3,802 to the Special Revenue Fund to provide financial support for the School's food service program. These amounts are netted together and not reported in the statement of activities.

**12. 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.

**13. LEGAL MATTERS**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has no legal actions or pending proceedings in progress.

**14. 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.

**RIVER CITY SCIENCE ACADEMY**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2013*

	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)
<b>Revenues:</b>								
Intergovernmental:								
Federal Through Local State and Local	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ 122,720	\$ 122,720	\$ -
Contributions and Other	4,011,222	4,184,258	4,184,258	-	-	31,251	31,251	-
	108,600	134,000	134,000	-	50,000	-	-	-
<b>Total Revenues</b>	<b>4,119,822</b>	<b>4,318,258</b>	<b>4,318,258</b>	<b>-</b>	<b>150,000</b>	<b>153,971</b>	<b>153,971</b>	<b>-</b>
<b>Expenditures:</b>								
Current - Education:								
Instruction	2,361,422	2,309,475	2,309,475	-	-	-	-	-
Pupil Personnel Services	94,424	94,046	94,046	-	-	-	-	-
Instructional Media	28,628	26,706	26,706	-	-	-	-	-
Instructional Staff Training	20,000	27,572	27,572	-	-	-	-	-
Board of Education	26,500	50,094	50,094	-	-	-	-	-
School Administration	587,904	620,268	620,268	-	-	-	-	-
Facilities Acquisition & Construction	239,734	402,456	402,456	-	-	-	-	-
Fiscal Services	82,112	123,478	123,478	-	-	-	-	-
Food Services	250	-	-	-	130,000	157,773	157,773	-
Central Services	11,265	6,672	6,672	-	-	-	-	-
Pupil Transportation	277,200	235,825	235,825	-	-	-	-	-
Operation of Plant	176,186	139,849	139,849	-	-	-	-	-
Maintenance of Plant	28,500	30,497	30,497	-	-	-	-	-
Community Service	95,697	133,718	133,718	-	-	-	-	-
Fixed Capital Outlay:								
Other Capital Outlay	90,000	107,875	107,875	-	-	-	-	-
Debt Service:								
Principal	-	8,691	8,691	-	-	-	-	-
Interest	-	1,839	1,839	-	-	-	-	-
<b>Total Expenditures</b>	<b>4,119,822</b>	<b>4,319,061</b>	<b>4,319,061</b>	<b>-</b>	<b>130,000</b>	<b>157,773</b>	<b>157,773</b>	<b>-</b>
Excess (Deficiency) of Revenues Over/(Under) Expenditures	-	(803)	(803)	-	20,000	(3,802)	(3,802)	-
Other Financing Sources (Uses):								
Proceeds from Long Term Debt	-	40,516	40,516	-	-	-	-	-
Transfers In/(Out)	-	(3,802)	(3,802)	-	-	3,802	3,802	-
Total Other Financing Sources (Uses)	-	36,714	36,714	-	-	3,802	3,802	-
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>35,911</b>	<b>35,911</b>	<b>-</b>	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balances, July 1, 2012	199,436	199,436	199,436	-	-	-	-	-
<b>Fund Balances, June 30, 2013</b>	<b>\$ 199,436</b>	<b>\$ 235,347</b>	<b>\$ 235,347</b>	<b>\$ -</b>	<b>\$ 20,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

See Independent Auditor's Report

**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 River City Science Academy,  
a Charter School and Component Unit of the  
District School Board of Duval 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 River City Science Academy (“School”), a charter school and component unit of the District School Board of Duval County, Florida, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements, and have issued our report thereon dated July 19, 2013.

**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, flowing style.

July 19, 2013  
Tampa, Florida



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 River City Science Academy,  
a Charter School and Component Unit of the  
District School Board of Duval County, Florida

We have audited the basic financial statements of the River City Science Academy (“School”), a charter school and component unit of the District School Board of Duval County, Florida, as of and for the fiscal year ended June 30, 2013, and have issued our report thereon dated July 19, 2013.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated July 19, 2013. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The School had no findings in the prior audit.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. 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.

The Rules of the Auditor General (Section 10.854(1)(e)3.), 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.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is River City Science Academy.

This letter is intended for the information and use of the School and its management, the District School Board of Duval County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

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

July 19, 2013  
Tampa, Florida



**RIVER CITY SCIENCE ACADEMY**  
**A Charter School and Component Unit of the District School Board of Duval County, Florida**

**MANAGEMENT'S RESPONSE TO AUDIT FINDINGS**

**Year Ended June 30, 2013**

The following is the School's response to the item in the Management Letter dated July 19, 2013, as required by Rule 10.857, Rules of the Auditor General:

No response required.