

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY
EDUCATION SERVICES, INC.)

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, 2019

King & Walker, CPAs, PL

Certified Public Accountants

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

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Independent Auditor's Report

To the Board of Directors of River City Science Academy
(A charter school under River City Education Services, Inc.),
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 under River City Education Services, Inc. and component unit of the District School Board of Duval County, Florida, as of and for the year ended June 30, 2019, 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, 2019, 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.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of River City Science Academy at June 30, 2019 and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of River City Education Services, Inc. These financial statements do not purport to and do not present fairly the financial position of River City Education Services, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity 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 Required Supplementary Information, as listed 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019 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,



September 27, 2019
Tampa, Florida

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
A Charter School and Component Unit of the District School Board of Duval County, Florida
MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)

The Management’s Discussion and Analysis (MD&A) section of the annual financial report of the River City Science Academy (“School”), a charter school under River City Education Services, Inc. provides an overview of the School’s activities for the fiscal year ended June 30, 2019.

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, 2019, the School’s revenues exceeded expenditures in the General Fund as shown on the School’s statement of revenues, expenditures, and changes in fund balances – governmental funds by \$10,355.
- The School reported a combined fund balance of \$2,722,519 on the balance sheet – governmental funds.

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 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.

RIVER CITY SCIENCE ACADEMY
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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 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 four funds: a General Fund, a Special Revenue Fund, a Debt Service 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.

Agency Fund: In addition, the School has one agency fund which is a student activity fund. This fund is used to account for resources of the school internal funds. The assets and liabilities of this fund are not included in the government-wide statement of net assets because the resources are not available to support the School's programs.

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.

RIVER CITY SCIENCE ACADEMY
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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		
	<u>Governmental Activities</u>		
	<u>6-30-18</u>	<u>6-30-19</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 2,741,807	\$ 2,772,544	\$ 30,737
Capital Assets, net	11,765,896	11,515,764	(250,132)
Total Assets	<u>14,507,703</u>	<u>14,288,308</u>	<u>(219,395)</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows Related to Pensions	1,218,210	1,228,956	10,746
Total Deferred Outflows of Resources	<u>1,218,210</u>	<u>1,228,956</u>	<u>10,746</u>
LIABILITIES			
Current Liabilities	29,643	50,025	20,382
Long Term Liabilities	16,460,321	16,338,938	(121,383)
Total Liabilities	<u>16,489,964</u>	<u>16,388,963</u>	<u>(101,001)</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows Related to Pensions	172,582	266,229	93,647
Total Deferred Inflows of Resources	<u>172,582</u>	<u>266,229</u>	<u>93,647</u>
NET POSITION			
Net Investment in Capital Assets	(2,206,984)	(2,218,215)	(11,231)
Restricted for Debt Service	1,559,233	1,592,992	33,759
Unrestricted	(288,882)	(512,705)	(223,823)
Total Net Position	<u>\$ (936,633)</u>	<u>\$ (1,137,928)</u>	<u>\$ (201,295)</u>

Current and other assets consist primarily of cash & cash equivalents and restricted investments. The School's liabilities are primarily comprised of accounts payable, bonds payable, and a net pension liability. Deferred outflows and inflows and the associated net pension liability relate to the accounting for pensions.

RIVER CITY SCIENCE ACADEMY
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MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

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

	Governmental Activities		
	6-30-18	6-30-19	Increase (Decrease)
Revenues:			
Federal Through State and Local	\$ 425,953	\$ 409,048	\$ (16,905)
State Sources	5,988,793	6,225,700	236,907
Local and Other	715,423	430,801	(284,622)
Total Revenues	7,130,169	7,065,549	(64,620)
Expenses:			
Instruction	3,755,400	3,694,259	(61,141)
Student Support Services	127,574	148,813	21,239
Instructional Media	36,561	37,783	1,222
Instruction & Curriculum Development	80,826	727	(80,099)
Instructional Staff Training	20,631	100,092	79,461
Instructional Related Technology	-	20,085	20,085
Board of Education	35,664	19,420	(16,244)
School Administration	787,141	862,046	74,905
Fiscal Services	138,673	141,783	3,110
Food Services	179,591	182,711	3,120
Central Services	-	12,494	12,494
Student Transportation	345,507	294,576	(50,931)
Operation of Plant	401,847	411,698	9,851
Maintenance of Plant	63,987	103,112	39,125
Administrative Technology Services	70,331	49,095	(21,236)
Community Service	76,617	92,349	15,732
Debt Service - Interest & Fees	810,029	794,628	(15,401)
Unallocated Depreciation	300,633	295,074	(5,559)
Amortization of Bond Discount	6,099	6,099	-
Total Expenses	7,237,111	7,266,844	29,733
Increase/(Decrease) in Net Position	\$ (106,942)	\$ (201,295)	\$ (94,353)

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. The largest concentration of expenses was for Instruction, which comprised of 51% of total expenses.

RIVER CITY SCIENCE ACADEMY
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A Charter School and Component Unit of the District School Board of Duval 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 \$2,722,519.

BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2019, 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, 2019, the actual expenditures were equal to the final budget. 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, 2019, amounts to \$11,515,764 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, improvements other than buildings, buildings, and furniture, fixtures, and equipment. Additional information regarding the School's capital assets can be found in the notes to the financial statements.

DEBT

In March 2015 the School issued bonds totaling \$14,360,000 to finance the acquisition, improvements, and equipping of facilities. The remaining balance of the bonds is \$13,890,000 at June 30, 2019. Additional information regarding the School's long-term debt is located in the notes 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 Boulevard., Jacksonville, FL 32216.

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2019

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 1,124,584
Restricted Investments	1,592,992
Accounts Receivable	12,035
Due from Other Agency	42,933
Capital Assets:	
Land	3,036,516
Improvements Other Than Buildings, Net	173,788
Buildings, Net	8,167,806
Furniture, Fixtures, and Equipment, Net	110,154
Construction in Progress	27,500
Total Capital Assets, Net	11,515,764
TOTAL ASSETS	14,288,308
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pensions	1,228,956
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,228,956
LIABILITIES	
Accounts Payable	26,061
Due to Other Agencies	4,339
Unearned Revenue	19,625
Long Term Liabilities:	
Bonds Payable, due within one year	260,000
Bonds Payable, due after one year	13,473,979
Net Pension Liability	2,604,959
TOTAL LIABILITIES	16,388,963
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pensions	266,229
TOTAL DEFERRED INFLOWS OF RESOURCES	266,229
NET POSITION	
Net Investment in Capital Assets	(2,218,215)
Restricted for Debt Service	1,592,992
Unrestricted	(512,705)
TOTAL NET POSITION	\$ (1,137,928)

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

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
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STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2019

		Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Position Governmental Activities
Governmental Activities:					
Instruction	\$ 3,694,259	\$ -	\$ 16,421	\$ -	\$ (3,677,838)
Student Support Services	148,813		89,081		(59,732)
Instructional Media	37,783				(37,783)
Instruction & Curriculum Development	727				(727)
Instructional Staff Training	100,092		58,423		(41,669)
Instructional Related Technology	20,085				(20,085)
Board of Education	19,420				(19,420)
School Administration	862,046		84,632		(777,414)
Fiscal Services	141,783				(141,783)
Food Services	182,711	85,101	131,586		33,976
Central Services	12,494				(12,494)
Student Transportation	294,576				(294,576)
Operation of Plant	411,698				(411,698)
Maintenance of Plant	103,112		23,280		(79,832)
Administrative Technology Services	49,095				(49,095)
Community Service	92,349	59,926	3,000		(29,423)
Debt Service - Interest & Fees	794,628			419,832	(374,796)
Amortization of Bond Discount	6,099				(6,099)
Unallocated Depreciation	295,074				(295,074)
Total Governmental Activities	\$ 7,266,844	\$ 145,027	\$ 406,423	\$ 419,832	(6,295,562)
General Revenues:					
					5,805,868
State Sources					2,625
Grants and Contributions not restricted to specific program					285,774
Local and Other					6,094,267
Total General Revenues					(201,295)
Change in Net Position					(936,633)
Net Position - July 1, 2018					\$ (1,137,928)
Net Position - June 30, 2019					

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

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
ASSETS					
Cash & Cash Equivalents	\$ 1,124,584	\$ -	\$ -	\$ -	\$ 1,124,584
Restricted Investments			1,592,992		1,592,992
Accounts Receivable	12,035				12,035
Due from Other Funds	42,839				42,839
Due from Other Agency	94	10,890		31,949	42,933
Total Assets	\$ 1,179,552	\$ 10,890	\$ 1,592,992	\$ 31,949	\$ 2,815,383
LIABILITIES					
Accounts Payable	\$ 26,061	\$ -	\$ -	\$ -	\$ 26,061
Due to Other Funds		10,890		31,949	42,839
Due to Other Agencies	4,339				4,339
Unearned Revenue	19,625				19,625
Total Liabilities	50,025	10,890	-	31,949	92,864
FUND BALANCES					
Restricted			1,592,992		1,592,992
Unassigned	1,129,527				1,129,527
Total Fund Balances	1,129,527	-	1,592,992	-	2,722,519
Total Liabilities and Fund Balances	\$ 1,179,552	\$ 10,890	\$ 1,592,992	\$ 31,949	\$ 2,815,383

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

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RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2019

Total Fund Balances - Governmental Funds	\$	2,722,519
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Amounts reported for governmental activities in the statement of Net Position are different because:

Deferred Outflows and Inflows of Resources are not available in the current period and not reported in the governmental funds and, therefore, are not reported as liabilities in the governmental funds.

	Deferred Outflows	1,228,956	
	Deferred Inflows	<u>266,229</u>	962,727

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.	11,515,764
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

	Bonds Payable	(13,733,979)	
	Net Pension Liability	<u>(2,604,959)</u>	<u>(16,338,938)</u>

Total Net Position - Governmental Activities	\$	<u>(1,137,928)</u>
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The accompanying notes to financial statements are an integral part of this statement.

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
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, 2019

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal Through State and Local	\$ -	\$ 409,048	\$ -	\$ -	\$ 409,048
State Sources	5,805,868			419,832	6,225,700
Local and Other	328,903	85,101	16,797		430,801
Total Revenues	6,134,771	494,149	16,797	419,832	7,065,549
Expenditures					
Current - Education:					
Instruction	3,477,419	16,421			3,493,840
Student Support Services	59,732	89,081			148,813
Instructional Media	37,783				37,783
Instruction & Curriculum Development	727				727
Instructional Staff Training	41,669	58,423			100,092
Instructional Related Technology	20,085				20,085
Board of Education	19,420				19,420
School Administration	777,414	84,632			862,046
Fiscal Services	141,783				141,783
Food Services		182,711			182,711
Central Services	12,494				12,494
Student Transportation	294,576				294,576
Operation of Plant	411,698				411,698
Maintenance of Plant	79,832	23,280			103,112
Administrative Technology Services	49,095				49,095
Community Service	89,349	3,000			92,349
Fixed Capital Outlay:					
Facilities Acquisition & Construction	27,500				27,500
Other Capital Outlay	14,817	2,625			17,442
Debt Service:					
Principal			245,000		245,000
Interest & Fees			794,628		794,628
Total Expenditures	5,555,393	460,173	1,039,628	-	7,055,194
Excess (Deficiency) of Revenues Over Expenditures	579,378	33,976	(1,022,831)	419,832	10,355
Other Financing Sources (Uses):					
Transfers In/(Out)	(602,782)	(33,976)	1,056,590	(419,832)	-
Total Other Financing Sources (Uses)	(602,782)	(33,976)	1,056,590	(419,832)	-
Net Change in Fund Balances	(23,404)	-	33,759	-	10,355
Fund Balances, July 1, 2018	1,152,931	-	1,559,233	-	2,712,164
Fund Balances, June 30, 2019	\$ 1,129,527	\$ -	\$ 1,592,992	\$ -	\$ 2,722,519

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

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
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, 2019

Net Change in Fund Balances - Governmental Funds	\$	10,355
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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 depreciation expense (\$295,074) in excess of capital outlay (\$44,942) in the current year.		(250,132)
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Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the Statement of Net Position.		245,000
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Expenses in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:		
Amortization of bond discount		(6,099)
Pension Expense (calculated for net pension liability)		(417,140)
Pension contributions made subsequent to the pension liability measurement date of 6/30/18		216,721

Change in Net Position - Governmental Activities	\$	(201,295)
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The accompanying notes to the financial statements are an integral part of this statement.

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF DUVAL COUNTY, FLORIDA

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2019

ASSETS	<u>Agency Fund</u>
Cash & Cash Equivalents	\$ 61,325
TOTAL ASSETS	<u><u>\$ 61,325</u></u>
LIABILITIES	
Due to Student Organizations	\$ 61,325
TOTAL LIABILITIES	<u><u>\$ 61,325</u></u>

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

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

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
For the Fiscal Year Ended June 30, 2019

	Internal Accounts			
ASSETS	July 1, 2018	Additions	Deductions	June 30, 2019
Cash & Cash Equivalents	\$ 33,965	\$ 143,398	\$ 116,038	\$ 61,325
TOTAL ASSETS	\$ 33,965	\$ 143,398	\$ 116,038	\$ 61,325
LIABILITIES				
Due to Student Organizations	\$ 33,965	\$ 143,398	\$ 116,038	\$ 61,325
TOTAL LIABILITIES	\$ 33,965	\$ 143,398	\$ 116,038	\$ 61,325

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

River City Science Academy (“School”), a charter school under River City Education Services, Inc. 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. 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 basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of River City Education Services, Inc. as of June 30, 2019, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

➤ **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. These statements include the non-fiduciary financial activity of the School.

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.

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 and the School's food service operations.
- Debt Service Fund: to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs.
- Capital Projects Fund: to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.

Additionally, the School reports the following fiduciary fund:

- Agency Fund: to account for resources of the school internal funds, which are used to administer moneys collected in connection with school, class, and club activities.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

➤ **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 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.

The agency fund have no measurement focus, but utilize the accrual basis of accounting for reporting assets and liabilities.

➤ **Cash and Cash Equivalents**

Cash deposits consist of demand deposits at local financial institutions. Cash equivalents are highly liquid short-term investments with remaining maturities at the purchase date of three months or less. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Investments**

The School has not adopted a written investment policy. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

The School’s investments are set aside to make debt service payments and maintain sinking or reserve funds and are classified as restricted. These investments are reported as Restricted for Debt Service on the Statements of Net Position and as Restricted in the Debt Service Fund on the Balance Sheet – Governmental Funds.

➤ **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>
Improvements Other than Buildings	10 years
Buildings	39 years
Furniture, Fixtures, and Equipment	3-7 years

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

➤ **Net Pension Liability**

As a participating employer in the Florida Retirement System, the School recognizes its proportionate share of the collective net pension liabilities of the FRS cost-sharing multiple-employer defined benefit plans. As of June 30, 2019, the School’s proportionate share of the net pension liabilities totaled \$2,604,959.

The School’s retirement plans and related amounts are described in a subsequent note.

➤ **Long-Term Liabilities**

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

Changes in long-term liabilities for the current year are reported in a subsequent note.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

➤ **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.

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.

➤ **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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

- 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 (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

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2019, the School reported 862.03 unweighted FTE and 864.86 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.

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

➤ **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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

➤ **Recently Issued Accounting Principles**

Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions was effective for fiscal years beginning after June 15, 2017. The net pension liability for the FRS Pension Plan at July 1, 2017 has been increased due to the restatement of the fund's beginning net position as a result of the implementation of GASB 75. The School's proportionate share of the net pension liability increased \$504 and is reported in the Statement of Net Position and Statement of Activities.

Governmental Accounting Standards Board Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements was effective for fiscal years beginning after June 15, 2018. The School's notes related to debt reflect all required disclosures.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States 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 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 up to \$250,000. As of June 30, 2019, the School's bank accounts exceeded the FDIC insurance limit by \$874,584.

3. INVESTMENTS

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
A Charter School and Component Unit of the District School Board of Duval County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

All of the School's recurring fair value measurements as of June 30, 2019 are valued using quoted market prices (Level 1 inputs).

The School's investments at June 30, 2019, are reported as follows:

	Amount
US Bank - Money Market	\$ 570,361
US Bank - Certificate of Deposit	1,022,631
Total Investments	\$ 1,592,992

4. DUE FROM OTHER AGENCY

The amounts Due from Other Agency included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due from the Duval County School Board for FEFP in the General Fund, for Title II funds in the Special Revenue Fund, and from Florida Department of Education funds for Charter School Capital Outlay recorded in the Capital Projects Fund. These receivables are considered to be fully collectible and as such, no allowance for uncollectibles is accrued.

5. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,036,516	\$ -	\$ -	\$ 3,036,516
Construction in Progress	-	27,500	-	27,500
Total Capital Assets Not Being Depreciated	3,036,516	27,500	-	3,064,016
Capital Assets Being Depreciated:				
Improvements Other Than Building	243,179	-	-	243,179
Buildings	9,204,909	-	-	9,204,909
Furniture, Fixtures and Equipment	549,741	17,442	-	567,183
Total Capital Assets Being Depreciated	9,997,829	17,442	-	10,015,271
Less Accumulated Depreciation for:				
Improvements Other Than Building	(45,072)	(24,318)	-	(69,390)
Buildings	(801,667)	(235,436)	-	(1,037,103)
Furniture, Fixtures and Equipment	(421,710)	(35,320)	-	(457,030)
Total Accumulated Depreciation	(1,268,449)	(295,074)	-	(1,563,523)
Total Capital Assets Being Depreciated, Net	8,729,380	(277,632)	-	8,451,748
Governmental Activities Capital Assets, Net	\$ 11,765,896	\$ (250,132)	\$ -	\$ 11,515,764

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

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
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NOTES TO FINANCIAL STATEMENTS
June 30, 2019

6. BONDS PAYABLE

Bonds payable at June 30, 2019, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Revenue Bonds:			
Series 2015A	\$ 13,475,000	4.625 - 5.625%	2045
Series 2015B	415,000	6.75%	2021
Total Bonds Payable	<u>\$ 13,890,000</u>		

Revenue Bonds Series 2015A and 2015B – On March 5, 2015, the River City Education Services, Inc. issued tax-exempt revenue bonds (Series 2015A) for \$13,475,000 and taxable revenue bonds (Series 2015B) for \$885,000 secured by a mortgage on the property and buildings. The bonds were issued to finance the acquisition, improvements, and equipping of facilities to be used as a nonprofit charter school educational facility.

Series 2015A bonds are term bonds paying interest semi-annually at a rate of 4.625% to 5.625% with maturities starting February 1, 2021, and ending February 1, 2045. Series 2015B bonds are term bonds paying interest semi-annually at a rate of 6.75% with maturities starting February 1, 2018, and ending February 1, 2021.

As required by the bond resolution, the Organization has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

In the event of default for non-payment of principal or interest on the bonds, the outstanding amounts will become due and payable.

Annual requirements to amortize all bonded debt outstanding as of June 30, 2019, are as follows:

<u>Fiscal Year Ending June 30:</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,021,094	\$ 260,000	\$ 761,094
2021	1,018,544	275,000	743,544
2022	1,017,531	290,000	727,531
2023	1,019,119	305,000	714,119
2024	1,020,013	320,000	700,013
2025-2029	5,097,181	1,850,000	3,247,181
2030-2034	5,096,875	2,400,000	2,696,875
2035-2039	5,089,881	3,120,000	1,969,881
2040-2044	5,093,875	4,105,000	988,875
2045	1,019,281	965,000	54,281
<i>less: Unamortized Bond Discount</i>	<i>(156,021)</i>	<i>(156,021)</i>	
Total	<u>\$ 26,337,373</u>	<u>\$ 13,733,979</u>	<u>\$ 12,603,394</u>

RIVER CITY SCIENCE ACADEMY
(A CHARTER SCHOOL UNDER RIVER CITY EDUCATION SERVICES, INC.)
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NOTES TO FINANCIAL STATEMENTS
June 30, 2019

7. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Bonds Payable	\$14,135,000	\$ -	\$(245,000)	\$ 13,890,000	\$ 260,000
Unamortized Discount	(162,120)	-	6,099	(156,021)	-
Total Bonds Payable	<u>14,179,583</u>	<u>-</u>	<u>(238,901)</u>	<u>13,733,979</u>	<u>260,000</u>
Net Pension Liability	<u>2,487,441</u>	<u>117,518</u>	<u>-</u>	<u>2,604,959</u>	<u>-</u>
Total Governmental Activities	<u>\$16,667,024</u>	<u>\$ 117,518</u>	<u>\$(238,901)</u>	<u>\$ 16,338,938</u>	<u>\$ 260,000</u>

8. INTERFUND RECEIVABLES AND PAYABLES

At June 30, 2019, the General Fund was due \$10,890 and \$31,949 from the Special Revenue Fund and the Capital Projects Fund, respectively, for expenditures awaiting reimbursement from other agencies. These amounts of interfund receivables and payables are netted together and not reported in the statement of net position.

9. INTERFUND TRANSFERS

The School's Capital Projects Fund and General Fund transferred \$419,832 and \$636,758, respectively, to the Debt Service Fund to finance the School's principal and interest payments owed on long-term debt and to meet the Bond Reserve Fund requirement. The Special Revenue Fund transferred \$33,976 to the General Fund for the food service costs of operation and maintenance including utility costs incurred by the General Fund for the food service program. The amounts of interfund transfers are netted together and not reported on the statement of activities.

10. 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, 2019, 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.

RIVER CITY SCIENCE ACADEMY
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NOTES TO FINANCIAL STATEMENTS
June 30, 2019

11. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the School's State revenue:

Source	Amount
Florida Education Finance Program	\$ 3,586,548
Class Size Reduction	788,152
ESE Guaranteed Allocation	537,356
Capital Outlay	419,832
Supplementary Academic Instruction	217,443
Transportation	176,715
Vocational	90,461
School Recognition	89,053
Instructional Materials	65,666
AP/IB/AICE	63,310
Best and Brightest Scholarship Program	53,298
Safe School	50,103
Reading Allocation	35,611
Mental Health Allocation	19,739
Florida Teachers Classroom Assistance Program	14,300
Digital Classroom Allocation	14,176
School Improvement	3,093
Other Miscellaneous State Revenue	844
Total State Revenue	<u>\$ 6,225,700</u>

As provided in the charter school contract, the District has charged the School an administrative fee totaling \$32,771.

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

12. FLORIDA RETIREMENT SYSTEM (FRS) – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the School are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility,

NOTES TO FINANCIAL STATEMENTS
June 30, 2019

contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The School's FRS and HIS pension expense totaled \$417,140 for the fiscal year ended June 30, 2019.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

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 an FRS-participating employer. An employee may participate in 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 Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The

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total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	8.26
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The School's contributions to the Plan totaled \$162,126 for the fiscal year ended June 30, 2019.

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the School reported a liability of \$1,582,236 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The School's proportionate share of the net pension liability was based on the School's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the School's proportionate share was 0.005253018 percent, which was an increase of 0.0002867 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the School recognized pension expense of \$315,554. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 134,039	\$ 4,865
Change of assumptions	516,998	-
Net difference between projected and actual earnings on FRS Plan investments	-	122,246
Changes in proportion and differences between School FRS contributions and proportionate share of contributions	140,309	29,249
School FRS contributions subsequent to the measurement date	162,126	-
Total	<u>\$ 953,472</u>	<u>\$ 156,360</u>

The deferred outflows of resources related to pensions totaling \$162,126, resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 202,991
2021	138,533
2022	19,316
2023	92,245
2024	61,680
Thereafter	9,161

Actuarial Assumptions. The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	2.9%	2.9%	1.8%
Fixed Income	18%	4.4%	4.3%	4.0%
Global Equity	54%	7.6%	6.3%	17.0%
Real Estate (Property)	11%	6.6%	6.0%	11.3%
Private Equity	10%	10.7%	7.8%	26.5%
Strategic Investments	6%	6.0%	5.7%	8.6%
Total	<u>100%</u>			
Assumed inflation - Mean			2.6%	1.9%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The discount rate used in the 2018 valuation was updated from 7.1 percent to 7.0 percent.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

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	1% Decrease <u>(6.0%)</u>	Current Discount Rate <u>(7.0%)</u>	1% Increase <u>(8.0%)</u>
School's proportionate share of the net pension liability	\$ 2,887,648	\$ 1,582,236	\$ 498,015

Pension Plan Fiduciary Net Position. Detailed information about the Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. The School contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The School’s contributions to the HIS Plan totaled \$54,595 for the fiscal year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2019, the School reported a net pension liability of \$1,022,723 for its proportionate share of the net pension liability. The current portion of the net pension liability is the School’s proportionate share of benefit payments expected to be paid within one year, net of the School’s proportionate share of the HIS Plan’s fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2018, and the total pension liability used to

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calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The School's proportionate share of the net pension liability was based on the School's 2017-18 fiscal year contributions relative to the total 2017-18 fiscal year contributions of all participating members. At June 30, 2018, the School's proportionate share was 0.009662810 percent, which was an increase of 0.000137999 from its proportionate share measured as of June 30, 2017.

For the fiscal year ended June 30, 2019, the School recognized pension expense of \$101,586. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,657	\$ 1,738
Change of assumptions	113,739	108,131
Net difference between projected and actual earnings on HIS Plan investments	617	-
Changes in proportion and differences between School HIS contributions and proportionate share of contributions	90,876	-
School HIS contributions subsequent to the measurement date	54,595	-
Total	\$ 275,484	\$ 109,869

The deferred outflows of resources totaling \$54,595, resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2020	\$ 14,070
2021	14,018
2022	9,821
2023	2,206
2024	(13,692)
Thereafter	(6,277)

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.87 percent

NOTES TO FINANCIAL STATEMENTS
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Mortality rates were based on the Generational RP-2000 with Projected Scale BB.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.87 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 3.87 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.87 percent) or 1 percentage point higher (4.87 percent) than the current rate:

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Increase (4.87%)
School's proportionate share of the net pension liability	\$1,164,821	\$ 1,022,723	\$904,275

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

13. FRS – Defined Contribution Pension Plans

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. School employees already participating in the State School System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates,

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that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-19 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The School's Investment Plan pension expense totaled \$110,588 for the fiscal year ended June 30, 2019.

NOTES TO FINANCIAL STATEMENTS

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14. 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.

15. 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.

16. 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.

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REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & MAJOR SPECIAL REVENUE FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2019

	General Fund				Major 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	\$ -	\$ -	\$ -	\$ -	\$ 356,571	\$ 409,048	\$ 409,048	\$ -
State Sources	5,942,758	5,805,868	5,805,868	-	-	-	-	-
Local and Other	135,100	328,903	328,903	-	50,000	85,101	85,101	-
Total Revenues	6,077,858	6,134,771	6,134,771	-	406,571	494,149	494,149	-
Expenditures:								
Current - Education:								
Instruction	3,322,527	3,477,419	3,477,419	-	190,347	16,421	16,421	-
Student Support Services	84,550	59,732	59,732	-	-	89,081	89,081	-
Instructional Media	36,877	37,783	37,783	-	-	-	-	-
Instruction & Curriculum Development	25,755	727	727	-	-	-	-	-
Instructional Staff Training	12,500	41,669	41,669	-	22,921	58,423	58,423	-
Instructional Related Technology	-	20,085	20,085	-	22,921	-	-	-
Board of Education	38,000	19,420	19,420	-	-	-	-	-
School Administration	675,419	777,414	777,414	-	-	84,632	84,632	-
Fiscal Services	126,892	141,783	141,783	-	-	-	-	-
Food Services	-	-	-	-	165,801	182,711	182,711	-
Central Services	12,500	12,494	12,494	-	-	-	-	-
Student Transportation	292,050	294,576	294,576	-	-	-	-	-
Operation of Plant	393,317	411,698	411,698	-	-	-	-	-
Maintenance of Plant	86,512	79,832	79,832	-	-	23,280	23,280	-
Administrative Technology Services	86,150	49,095	49,095	-	-	-	-	-
Community Service	154,415	89,349	89,349	-	3,303	3,000	3,000	-
Fixed Capital Outlay:								
Facilities Acquisition & Construction	-	27,500	27,500	-	-	-	-	-
Other Capital Outlay	-	14,817	14,817	-	-	2,625	2,625	-
Total Expenditures	5,347,464	5,555,393	5,555,393	-	405,293	460,173	460,173	-
Excess (Deficiency) of Revenues								
Over/(Under) Expenditures	730,394	579,378	579,378	-	1,278	33,976	33,976	-
Other Financing Sources (Uses):								
Transfers In/(Out)	(702,949)	(602,782)	(602,782)	-	(24,199)	(33,976)	(33,976)	-
Total Other Financing Sources (Uses)	(702,949)	(602,782)	(602,782)	-	(24,199)	(33,976)	(33,976)	-
Net Change in Fund Balances	27,445	(23,404)	(23,404)	-	(22,921)	-	-	-
Fund Balances, July 1, 2018	1,152,931	1,152,931	1,152,931	-	-	-	-	-
Fund Balances, June 30, 2019	\$ 1,180,376	\$ 1,129,527	\$ 1,129,527	\$ -	\$ (22,921)	\$ -	\$ -	\$ -

See Independent Auditor's Report

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*Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System*

	as of 6/30/18	as of 6/30/17	as of 6/30/16	as of 6/30/15	as of 6/30/14
Proportion of the net pension liability/(asset)	0.005253018%	0.004966318%	0.004705030%	0.005095899%	0.004290020%
Proportionate share of the net pension liability/(asset)	\$ 1,582,236	\$ 1,469,568	\$ 1,188,024	\$ 658,204	\$ 261,754
Covered-employee payroll	\$ 1,804,094	\$ 1,635,888	\$ 1,630,894	\$ 1,563,882	\$ 1,281,879
Proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	88%	90%	73%	42%	20%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%

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Schedule of Contributions
Florida Retirement System

	as of 6/30/19	as of 6/30/18	as of 6/30/17	as of 6/30/16	as of 6/30/15	as of 6/30/14
Contractually required contribution	\$ 162,126	\$ 149,707	\$ 129,285	\$ 114,740	\$ 124,242	\$ 93,970
Contributions in relation to the contractually required contribution	<u>\$ (162,126)</u>	<u>\$ (149,707)</u>	<u>\$ (129,285)</u>	<u>\$ (114,740)</u>	<u>\$ (124,242)</u>	<u>\$ (93,970)</u>
Contribution deficiency/(excess)	-	-	-	-	-	-
Covered-employee payroll	\$ 1,946,218	\$ 1,804,094	\$ 1,635,888	\$ 1,630,894	\$ 1,563,882	\$ 1,281,879
Contributions as a percentage of covered-employee payroll	8.33%	8.30%	7.90%	7.04%	7.94%	7.33%

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*Schedule of Proportionate Share of Net Pension Liability
Health Insurance Subsidy Program*

	as of 6/30/18	as of 6/30/17	as of 6/30/16	as of 6/30/15	as of 6/30/14
Proportion of the net pension liability/(asset)	0.009662810%	0.009524811%	0.009217936%	0.008928305%	0.008377840%
Proportionate share of the net pension liability/(asset)	\$ 1,022,723	\$ 1,018,437	\$ 1,074,312	\$ 910,547	\$ 783,348
Covered-employee payroll	\$ 3,155,981	\$ 3,031,046	\$ 2,857,445	\$ 2,711,566	\$ 2,489,234
Proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	32%	34%	38%	34%	31%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

See Independent Auditor's Report.

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Schedule of Contributions
Health Insurance Subsidy Program

	as of 6/30/19	as of 6/30/18	as of 6/30/17	as of 6/30/16	as of 6/30/15	as of 6/30/14
Contractually required contribution	\$ 54,595	\$ 52,402	\$ 50,408	\$ 47,248	\$ 34,130	\$ 28,700
Contributions in relation to the contractually required contribution	<u>\$ (54,595)</u>	<u>\$ (52,402)</u>	<u>\$ (50,408)</u>	<u>\$ (47,248)</u>	<u>\$ (34,130)</u>	<u>\$ (28,700)</u>
Contribution deficiency/(excess)	-	-	-	-	-	-
Covered-employee payroll	\$ 3,288,867	\$ 3,155,981	\$ 3,031,046	\$ 2,857,445	\$ 2,711,566	\$ 2,489,234
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.65%	1.26%	1.15%

See Independent Auditor's Report.

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

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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.

2. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS –FLORIDA RETIREMENT SYSTEM PENSION PLAN

Changes of Assumptions. The long-term expected rate of return was decreased from 7.1 percent to 7.0 percent, and the active member mortality assumption was updated.

3. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS –HEALTH INSURANCE SUBSIDY PENSION PLAN

Changes of Assumptions. The municipal bond rate used to determine total pension liability was increased from 3.58 percent to 3.87 percent.

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 River City Science Academy
(A charter school under River City Education Services, Inc.),
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 under River City Education Services, Inc. and component unit of the District School Board of Duval County, Florida, as of and for the year ended June 30, 2019, 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 27, 2019.

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 27, 2019
Tampa, Florida

**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 River City Science Academy
(A charter school under River City Education Services, Inc.),
a Charter School and Component Unit of the
District School Board of Duval County, Florida

Report on the Financial Statements

We have audited the financial statements of the River City Science Academy, a charter school under River City Education Services, Inc. (“School”), and a component unit of the District School Board of Duval County, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 27, 2019.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 27, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings or recommendations.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are River City Science Academy, 161201.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify 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 review of financial information provided by same.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional 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 District School Board of Duval County, Florida and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



September 27, 2019
Tampa, Florida