

**North Bay Haven Charter Middle
School (A Component Unit of Bay
County District School Board)**

Financial Statements

June 30, 2019



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North Bay Haven Charter Middle School

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Bay Haven Charter Academy, Inc.
Panama City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of North Bay Haven Charter Middle School (School), as of and for the year ended June 30, 2019, and the related notes to 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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, and the major fund of the School, as of June 30, 2019, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 1 of the financial statements, the financial statements present only North Bay Haven Charter Middle School and do not purport to, and do not present the financial position of Bay Haven Charter Academy, Inc. or Bay County District School Board as of June 30, 2019, the changes in their financial position, or, where applicable, their cash flows and respective budgetary comparison for the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 9, the schedule of the School's proportionate share of the net pension liability – Florida Retirement System on page 39, the schedule of the School's contributions – Florida Retirement System on page 40, the schedule of the School's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 41, and the schedule of the School's contributions – Health Insurance Subsidy Program on page 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of revenues and expenditures – general fund (management format) on page 43 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. This schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures – general fund (management format) is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
November 21, 2019

Management's Discussion and Analysis

Management's discussion and analysis provides an easily readable analysis of North Bay Haven Charter Middle School's (School) financial activities. The analysis provides summary financial information for the School and should be read in conjunction with the School's financial statements.

Financial Highlights

- Total assets and deferred outflows of resources of the School exceeded total liabilities and deferred inflows of resources by \$2,073,821 (total net position). Of this amount, \$1,399,610 is unrestricted net position for governmental activities. Total net position includes \$283,177 net investment in capital assets in the governmental activities.
- Total net position increased by \$506,401 during the year ended June 30, 2019.
- As of June 30, 2019, the general fund unassigned fund balance was \$2,345,004 or 62% of total general fund expenditures for the year.
- Governmental activities' revenues increased 4% to \$3,974,677, while governmental activities' expenses decreased 5% to \$3,472,129.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) *government-wide financial statements*, 2) *fund financial statements*, and 3) *notes to financial statements*. The *government-wide financial statements* present an overall picture of the School's financial position and results of operations. The *fund financial statements* present financial information for the School's major fund. The *notes to financial statements* provide additional information concerning the School's finances that may not otherwise be disclosed in the government-wide or fund financial statements.

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the School's financial position in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities as well as the change in net position. Governmental activities are the activities where most of the School's programs and services are reported including, but not limited to, instruction, operation and maintenance of plants and facilities, pupil transportation, extracurricular activities and other support services. The School does not have any business-type activities.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the School, with the difference between them reported as *net position*. Increases or decreases in net position over time may serve as a useful indicator of the School's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenses of the School and the change in net position for the fiscal year. All changes in net position are reported as soon as the

underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will result in cash flows in future fiscal periods (e.g., uncollected fees).

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the School to account for revenues that are restricted to certain uses or to comply with legal requirements. The major categories of funds found in the School's *fund financial statements* include: governmental funds.

Fund financial statements provide financial information for the School's major fund and more detailed information about the School's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the funds, changes in *current* financial resources (revenues and expenditures), and *current* available resources.

Fund financial statements for the governmental fund includes a balance sheet and a statement of revenues, expenditures and changes in fund balance. The School's general fund includes a statement of revenues and expenditures - budget and actual.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the School's financial position. Categorized by governmental activities and component units, the government-wide financial statements provide an overall picture of the School's financial standing. The government-wide financial statements, which are comparable to private-sector companies, provide a good understanding of the School's overall financial health and present the means used to pay for various activities, or functions provided by the School. All assets and deferred outflows of resources of the School, including buildings and land are reported in the statement of net position, as well as all liabilities and deferred inflows of resources, including outstanding principal on bonds and other long-term debt. The statement of activities includes depreciation on all long lived assets of the School. The *fund financial statements* provide a presentation of the School's major fund. In the case of governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are included as other financing sources in the fund financial statements in the year the liabilities are incurred. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the School. Additional information about the accounting practices of the School, investments of the School, and long-term debt are just a few of the items included in the notes to financial statements.

Financial Analysis of the School

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School. At the end of the fiscal year 2019, the School is able to report positive balances in all categories of net position, and for the government as a whole.

**Net Position
Governmental Activities**

<i>June 30,</i>	2019	2018
Current and other assets	\$ 3,471,680	\$ 2,859,987
Capital assets, net	6,691,049	6,637,998
Total assets	10,162,729	9,497,985
Deferred outflows of resources	706,511	769,618
Current liabilities	283,457	177,349
Noncurrent liabilities	8,346,434	8,409,314
Total liabilities	8,629,891	8,586,663
Deferred inflows of resources	165,528	113,520
Net position		
Net investment in capital assets	283,177	207,386
Restricted	391,034	208,234
Unrestricted	1,399,610	1,151,800
Total net position	\$ 2,073,821	\$ 1,567,420

Net investment in capital assets (e.g., land, buildings, and equipment), represents 14% of the School's net position. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. It should be noted, that although the School's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the School's net position, \$391,034 (19%), represents resources that are subject to restrictions on how they may be used. The balance of *unrestricted net position*, \$1,399,610, may be used to help meet the School's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position.

**Changes in Net Position
Governmental Activities**

<i>Year Ended June 30,</i>	2019	2018
Revenues		
Intergovernmental	\$ 3,863,784	\$ 3,654,465
Before and aftercare fees	41,040	27,905
Lunchroom fees	54,006	89,769
Other revenue from local sources	2,784	21,117
Donations	-	7,896
Interest	13,063	5,866
Miscellaneous	-	28,772
Total revenues	3,974,677	3,835,790
Expenses		
Instructional		
Regular instruction	1,596,898	1,759,107
Exceptional instruction	137,425	168,912
Support services		
Pupil services	112,057	108,015
Instructional services	3,679	17,359
Instructional staff training services	16,398	10,351
Instructional related technology	25,147	17,385
Board services	16,164	15,993
General administrative services	192,195	192,277
School administrative services	299,989	343,944
Facilities acquisition and construction	32,569	-
Fiscal services	3,579	3,903
Food services	115,252	103,916
Pupil transportation services	61,931	51,531
Plant operations	183,032	207,322
Maintenance services	56,244	51,661
Community services	17,118	17,305
Depreciation	244,901	229,932
Interest	357,551	357,797
Total expenses	3,472,129	3,656,710
Increase in net position before extraordinary item	502,548	179,080
Extraordinary item	3,853	-
Increase in net position	\$ 506,401	\$ 179,080

For the year ended June 30, 2019, governmental activities' revenues and extraordinary item exceeded expenses by \$506,401. Total revenues increased \$138,887 over the previous year. Revenues increased primarily as a result of an increase in revenue from Bay County District School Board and the Child Nutrition Cluster grant. Total expenses decreased \$184,581 from the previous year mainly due to a decrease in instructional expenses.

Intergovernmental receipts generated 97% of the revenues of the governmental activities. Most of the governmental resources were expensed for regular and exceptional instruction (50%), plant operations and maintenance (7%), general and school administrative services (14%), depreciation (7%), and interest expense (10%).

Financial Analysis of the School's Fund

Governmental Fund

General Fund

The main operating fund of the School is the general fund. As of June 30, 2019, total assets were \$3,471,680 and total liabilities were \$170,664. At the end of fiscal year 2019, unassigned fund balance was \$2,345,004.

Analysis of General Fund Budget Variations

For the year ended June 30, 2019, the general fund expenditures exceeded the final budget by approximately 7% due to unbudgeted increases in capital outlay. Revenues, including other financing sources, exceeded the final budget by 13% mainly due to insurance recoveries related to hurricane repairs and an unanticipated increase in intergovernmental revenues.

Capital Assets Activity

The following schedule provides a summary of the School's capital assets. The School's total investment in capital assets as of June 30, 2019, was \$6,691,049 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, computers, and furniture, fixtures and equipment.

Capital Assets (Net of Accumulated Depreciation) Governmental Activities		
June 30,	2019	2018
Land	\$ 520,115	\$ 520,115
Construction in progress	61,800	24,908
Buildings	5,434,377	5,788,999
Improvements	288,974	67,847
Computers	182,793	41,839
Furniture, fixtures and equipment	202,990	194,290
Total	\$ 6,691,049	\$ 6,637,998

Additional information about the School’s capital assets can be found in note 5 – capital assets of the notes to financial statements.

Debt Management

At the end of fiscal year 2019, the School had total bond debt outstanding in the amount of \$7,014,000 which is shown on the financial statements net of \$176,658 in discounts.

**Outstanding Bond Debt Payable
Governmental Activities**

June 30,	2019	2018
Revenue bonds payable	\$ 6,837,342	\$ 6,852,454

More detail on the School’s liabilities is presented in notes 6, 7, and 8 of notes to financial statements.

Economic Factors and Next Year’s Budget

In setting the budget for FY 2020, the School considered a number of issues, among them:

- Continued curriculum content development and related IT support
- Increased salary and benefit costs due to higher salaries and rising insurance rates
- Increased capital expenditures following Hurricane Michael to include building and furniture, fixtures and equipment
- Increase plant operations and maintenance due to Hurricane Michael

Contacting the School’s Finance Department

This financial report is designed to provide a general overview of North Bay Haven Charter Middle School’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Bay Haven Charter Academy, Inc.’s Finance Department, 2501 Hawks Landing Blvd, Panama City, Florida 32405. You may visit the School’s website at <http://www.bayhaven.org>.

North Bay Haven Charter Middle School
Statement of Net Position and Governmental Fund Balance Sheet
June 30, 2019

	General Fund	Adjustments (Note 2)	Statement of Net Position	Component Unit
Assets				
Cash and cash equivalents	\$ 2,664,572	\$ -	\$ 2,664,572	\$ 43,650
Investments	112,186	-	112,186	-
Restricted investments	568,309	-	568,309	-
Accounts receivable, net	18,962	-	18,962	-
Due from other schools	92,503	-	92,503	-
Prepays	13,568	-	13,568	-
Inventory	1,580	-	1,580	-
Capital assets, net	-	6,691,049	6,691,049	-
Total assets	3,471,680	6,691,049	10,162,729	43,650
Deferred outflows of resources - pensions	-	706,511	706,511	-
Total assets and deferred outflows of resources	<u>\$ 3,471,680</u>	<u>7,397,560</u>	<u>10,869,240</u>	<u>43,650</u>
Liabilities				
Accounts payable and accrued expenses	\$ 141,659	-	141,659	-
Accrued salaries and benefits	143	-	143	-
Due to other schools	21,416	-	21,416	-
Unearned revenue	3,087	-	3,087	-
Interest payable	-	117,152	117,152	-
Long-term liabilities				
Due within one year				
Accrued compensated absences, current portion	4,359	-	4,359	-
Revenue bonds, current portion	-	21,000	21,000	-
Due in more than one year				
Accrued compensated absences, net of current portion	-	14,613	14,613	-
Net pension liability	-	1,490,120	1,490,120	-
Revenue bonds, net of current portion and discount	-	6,816,342	6,816,342	-
Total liabilities	170,664	8,459,227	8,629,891	-
Deferred inflows of resources - pensions	-	165,528	165,528	-

(Continued)

The accompanying notes are an integral part of these financial statements

**North Bay Haven Charter Middle School
Statement of Net Position and Governmental Fund
Balance Sheet (Continued)
June 30, 2019**

	<u>General Fund</u>	<u>Adjustments (Note 2)</u>	<u>Statement of Net Position</u>	<u>Component Unit</u>
Fund balance/net position				
Fund balance				
Nonspendable	\$ 15,148	\$ (15,148)	\$ -	\$ -
Restricted	937,656	(937,656)	-	-
Assigned	3,208	(3,208)	-	-
Unassigned	2,345,004	(2,345,004)	-	-
Total fund balance	<u>3,301,016</u>	<u>(3,301,016)</u>	-	-
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 3,471,680</u>	5,323,739	8,795,419	-
Net position				
Net investment in capital assets		283,177	283,177	-
Restricted		391,034	391,034	43,650
Unrestricted		1,399,610	1,399,610	-
Total net position		<u>\$ 2,073,821</u>	<u>\$ 2,073,821</u>	<u>\$ 43,650</u>

The accompanying notes are an integral part of these financial statements

North Bay Haven Charter Middle School
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance
Year Ended June 30, 2019

	General Fund	Adjustments (Note 2)	Statement of Activities	Component Unit
Revenues				
Intergovernmental	\$ 3,863,784	\$ -	\$ 3,863,784	\$ -
Before and aftercare fees	41,040	-	41,040	-
Lunchroom fees	54,006	-	54,006	-
Other revenue from local sources	2,784	-	2,784	-
Donations	-	-	-	2,656
Interest	13,063	-	13,063	24
Total revenues	<u>3,974,677</u>	<u>-</u>	<u>3,974,677</u>	<u>2,680</u>
Expenditures/Expenses				
Instructional				
Regular instruction	1,556,960	39,938	1,596,898	-
Exceptional instruction	133,903	3,522	137,425	-
Support services				
Pupil services	106,755	5,302	112,057	-
Instructional media services	3,551	128	3,679	-
Instructional staff training services	16,398	-	16,398	-
Instructional related technology	25,147	-	25,147	-
Board services	16,164	-	16,164	-
General administrative services	184,095	8,100	192,195	-
Facilities acquisition and construction	32,569	-	32,569	-
School administrative services	294,565	5,424	299,989	-
Fiscal services	3,579	-	3,579	-
Food services	112,827	2,425	115,252	-
Pupil transportation services	59,537	2,394	61,931	-
Plant operations	183,032	-	183,032	-
Maintenance services	54,827	1,417	56,244	-
Community services	16,611	507	17,118	-
Foundation	-	-	-	13,210
Capital outlay				
Site, building and equipment	609,152	(609,152)	-	-
Depreciation - unallocated	-	244,901	244,901	-
Debt service				
Principal and interest	373,076	(15,525)	357,551	-
Total expenditures/expenses	<u>3,782,748</u>	<u>(310,619)</u>	<u>3,472,129</u>	<u>13,210</u>
Excess (deficit) of revenues over (under) expenditures/change in net position	<u>191,929</u>	<u>310,619</u>	<u>502,548</u>	<u>(10,530)</u>

(Continued)

The accompanying notes are an integral part of these financial statements

**North Bay Haven Charter Middle School
Statement of Activities and Governmental Fund Revenues,
Expenditures and Changes in Fund Balance (Continued)
Year Ended June 30, 2019**

	General Fund	Adjustments (Note 2)	Statement of Activities	Component Unit
Other financing sources/extraordinary item				
Insurance recoveries/extraordinary item	\$ 315,053	\$ (311,200)	\$ 3,853	\$ -
Total other financing sources/extraordinary item	<u>315,053</u>	<u>(311,200)</u>	<u>3,853</u>	<u>-</u>
Net change in fund balance/net position	506,982	(581)	506,401	(10,530)
Fund balance/net position - beginning of year	<u>2,794,034</u>	<u>(1,226,614)</u>	<u>1,567,420</u>	<u>54,180</u>
Fund balance/net position - end of year	<u><u>\$ 3,301,016</u></u>	<u><u>\$ (1,227,195)</u></u>	<u><u>\$ 2,073,821</u></u>	<u><u>\$ 43,650</u></u>

The accompanying notes are an integral part of these financial statements

North Bay Haven Charter Middle School
Statement of Revenues and Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 3,561,677	\$ 3,580,992	\$ 3,863,784	\$ 282,792
Before and aftercare fees	32,632	32,632	41,040	8,408
Lunchroom fees	91,009	91,009	54,006	(37,003)
Other revenue from local sources	8,197	8,197	2,784	(5,413)
Interest	1,330	1,330	13,063	11,733
Miscellaneous	66,117	66,117	-	(66,117)
Total revenues	3,760,962	3,780,277	3,974,677	194,400
Expenditures				
Instructional				
Regular instruction	1,710,391	1,710,391	1,556,960	153,431
Exceptional instruction	159,579	159,579	133,903	25,676
Support services				
Pupil services	113,757	113,757	106,755	7,002
Instructional media services	16,488	16,488	3,551	12,937
Instructional staff training services	7,991	7,991	16,398	(8,407)
Instructional related technology	24,340	24,340	25,147	(807)
Board services	15,489	15,489	16,164	(675)
General administrative services	180,105	180,105	184,095	(3,990)
Facilities acquisition and construction	-	-	32,569	(32,569)
School administrative services	308,747	308,747	294,565	14,182
Fiscal services	3,898	3,898	3,579	319
Food services	97,568	97,568	112,827	(15,259)
Pupil transportation services	53,119	53,119	59,537	(6,418)
Plant operations	187,221	187,221	183,032	4,189
Maintenance services	57,000	57,000	54,827	2,173
Community services	15,834	15,834	16,611	(777)
Capital outlay				
Site, building and equipment	203,250	203,250	609,152	(405,902)
Debt service				
Principal and interest	372,663	372,663	373,076	(413)
Total expenditures	3,527,440	3,527,440	3,782,748	(255,308)
Excess (deficit) of revenues over (under) expenditures				
	233,522	252,837	191,929	(60,908)
Other financing sources (uses)				
Insurance recoveries	-	-	315,053	315,053
Total other financing sources (uses)	-	-	315,053	315,053
Net change in fund balance				
	\$ 233,522	\$ 252,837	\$ 506,982	\$ 254,145

The accompanying notes are an integral part of these financial statements

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

North Bay Haven Charter Middle School (School), a component unit of Bay County District School Board (District), was organized in May 2010 as a Florida nonprofit corporation. The School was granted a charter from the District to operate a public school, grades 6th through 8th within the school district. The charter expires March 5, 2029. The District has the option to terminate the Charter before its expiration based on circumstances, as defined in the agreement.

Financial reporting entity

North Bay Haven Charter Middle School is one of five schools under the parent company, Bay Haven Charter Academy, Inc. Bay Haven Charter Academy Elementary School, Bay Haven Charter Academy Middle School, North Bay Haven Charter Elementary School, North Bay Haven Charter Middle School and North Bay Haven Charter Career Academy all have a common board of directors and common management under Bay Haven Charter Academy, Inc.

These financial statements include only the balances and activity of North Bay Haven Charter Middle School. They have been prepared for the purpose of complying with Section 10.850, *Rules of the Auditor General for Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers*, and are not intended to be a complete presentation of the financial position or the changes in financial position of Bay Haven Charter Academy, Inc. or of Bay County District School Board in conformity with accounting principles generally accepted in the United States of America (GAAP). The accounting policies of the School conform to GAAP, as applicable to charter schools.

Component unit – Bay Haven Charter Academy Foundation, Inc.

This report includes financial statements of the funds of the School. The reporting entity for the School consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and, (3) the economic resources received or held by an individual

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

organization that the specific primary government, or its component units, are entitled to, or have the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The School has one component unit as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be included in these financial statements.

The Bay Haven Charter Academy Foundation, Inc. (Foundation) was formed as an educational support organization to solicit tax deductible contributions for construction of the school building and subsequent capital outlay projects for Bay Haven Charter Academy, Inc. The Foundation is operated solely for the benefit of the Schools. The Foundation is presented as a governmental fund type with fiscal year end of June 30. Due to the nature and significance of the Foundation's relationship with the School, exclusion of the Foundation's financial operations would render the School's financial statements incomplete or misleading. The Foundation's current activity is primarily associated with the new construction at the North Bay Haven campus, therefore the activity has been allocated among the three North Bay Haven Charter schools. The Foundation is disclosed using the discrete presentation method to emphasize that it is a legally separate entity from the School.

Basis of presentation

Based on the guidance provided in the American Institute of Certified Public Accountants, *Audit and Accounting Guide - Not-for-Profit Organizations*, and the provisions of Section 218.39(e), Florida Statutes, each charter school established under Florida Statutes 1002.33 is a governmental organization for financial reporting purposes. The accompanying financial statements of the School have been prepared in conformity with GAAP as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for governmental accounting and financial reporting.

The financial statements are prepared from the accounts of the School and are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

The governmental fund is used to account for the School's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition and construction of capital assets, and the servicing of general long-term debt.

Measurement focus and basis of accounting

The basic financial statements of the School are composed of the following:

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

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide financial statements

Government-wide financial statements display information about the reporting entity as a whole, except for its fiduciary activities. Governmental activities are normally supported by taxes and intergovernmental revenues, as opposed to business-type activities, which rely to a significant extent on fees and charges for support. The School has no business-type activities.

Government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 - *Accounting and Financial Reporting for Nonexchange Transactions*.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financial sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures. Grants, entitlements, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to functions are reported separately. Interest on general long-term debt is considered such an indirect expense. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and entitlement revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not reported as program revenues are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned – in order as needed.

Fund financial statements

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Flow of current financial resources measurement focus generally means that only current assets and current liabilities are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

liabilities of the current period. The School considers grants, entitlements and other revenues (other than insurance recoveries) available if collected within 60 days after year-end. The School considers insurance recoveries available if collected within one year after year-end. Expenditures are recorded when the related fund liability is incurred, except for unmatured principle and interest on general long-term debt which are recognized when due.

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is used in the governmental funds. However, all encumbrances lapse at year-end and, accordingly, a reserve for encumbrances is not reported in the accompanying financial statements. Encumbrances are reestablished at the beginning of the fiscal year if funds are appropriated in the annual budget. Encumbrances do not constitute expenditures or liabilities.

Cash and cash equivalents

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

Investments

Investments are reported at fair value unless otherwise disclosed.

Inventory

The School's inventory, which consists primarily of food service supplies, is stated at the lower of cost or net realizable value with cost determined using the first-in, first-out method.

Capital assets

Capital assets are recorded as expenditures in the general fund at the time of purchase, and are capitalized at historical cost in the statement of net position. Capital assets are defined typically as assets with an initial, individual cost of \$750 or more and an estimated useful life of more than one operating cycle. Items below the individual cost of \$750, which were purchased with the intended purpose of being used together, that exceed \$750 in total are capitalized as well. Donated assets are recorded at estimated fair market value on the date received. Estimated useful life is management's estimate of how long the assets are expected to meet service demands, and ranges typically from three to ten years for computers, furniture, fixtures, and equipment and from ten to forty years for buildings and improvements. Amortization expense on capitalized leased assets is included in depreciation expense.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue sources

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

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

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

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)

State revenue funding is recorded as intergovernmental revenue. An administrative fee retained by the District is recorded as other school administrative expense. This funding is received on a pro rata basis over a twelve month period and is adjusted for changes in full-time equivalent (FTE) student population. Revenue that is earned but not available is reported as deferred inflows of resources until such time as the revenue becomes available.

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

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts receivable

Receivables at June 30, 2019 are net of allowance for uncollectable accounts. There was no allowance for uncollectable amounts considered necessary at June 30, 2019.

Amortization

Bond discounts and premiums are being amortized over the life of the bond using the straight-line method. Amortization of bond discounts and premiums are reported with interest expense.

Income taxes

Bay Haven Charter Academy, Inc. (Company) is responsible for the income taxes of the schools under its control, including North Bay Haven Charter Middle School. The Company is a nonprofit corporation whose revenue is derived primarily from other governmental entities. The Company is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements. The Company has no unrelated business income for the year ended June 30, 2019. The Company's federal income tax returns for 2016, 2017, and 2018 are subject to examination by the Internal Revenue Service. Tax returns are generally subject to examination for three years after they are filed.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) Pension Plan (Plan) and the Retirees' Health Insurance Subsidy Program (HIS) and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the plans. The financial statements for the plans are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with GAAP. Contributions are recognized as revenue when due, pursuant to the statutory and contractual requirements.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance

The School follows GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, employing the following terminology and classifications for fund balance.

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of June 30, 2019 of \$15,148 is from prepaids and inventory which are not in spendable form.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of June 30, 2019 of \$937,656 is restricted by creditors for repayment of debt and federal regulation for food service. The balance as of June 30, 2019 of \$257,161 is restricted by enabling legislation.

Committed – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority, which is the Board of Directors. There is no committed fund balance at June 30, 2019.

Assigned – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for specific purposes by an authorized government body or official. The balance as of June 30, 2019 is \$3,208.

Unassigned – This category is the residual classification for the School's fund balance. The balance as of June 30, 2019 is \$2,345,004.

Deferred outflows of resources, deferred inflows of resources, and net position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources and this standard renames the components of net position which were previously considered net assets.

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

Net investment in capital assets – represents the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation.

Unrestricted – indicates that portion of net position that is available for future periods.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources and deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources and inflows of resources, certain items that were previously reported as assets and liabilities.

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 represents a consumption of net position that applies to a future period and so will not be recognized as outflows of resources (expenses) 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 represents an acquisition of net position that applies to a future period and so will not be recognized as inflows of resources (revenues) until that time.

Budget

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

Subsequent events

Management of the School has evaluated subsequent events through November 21, 2019, the date the financial statements were available to be issued.

Recently issued accounting pronouncements

The following accounting standards have been issued by the Governmental Accounting Standards Board (GASB) that may have an effect on the School. Management has not yet determined the effect these statements will have on the School's financial statements.

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for reporting periods beginning after December 15, 2018.

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset,

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB Statement No. 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simply accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The following is an explanation of differences between the general fund balance sheet and statement of net position.

The total fund balance of the School's general fund (\$3,301,016) on the governmental funds balance sheet differs from the net position of governmental activities (\$2,073,821) reported in the statement of net position. This difference results primarily from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet. Details of this difference are as follows:

Capital related items

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets of the School.

Cost of capital assets	\$	7,829,682
Accumulated depreciation		(1,138,633)
Capital assets, net of accumulated depreciation	\$	6,691,049

Long-term debt

Long-term liabilities applicable to the School's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position.

Revenue bonds payable	\$	7,014,000
Discount on bonds payable		(176,658)
Net pension liability		1,490,120
Accrued compensated absences, net of current portion		14,613
Total long-term liabilities	\$	8,342,075

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Interest on long-term liabilities

Interest due on long-term liabilities applicable to the School's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position.

Interest payable	\$ 117,152
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Deferred inflows and outflows for the pension liability

Deferred inflows and outflows of resources related to the net pension liability applicable to the School's governmental activities are not reported in the fund financial statements. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are reported in the statement of net position.

Deferred outflows of resources	\$ 706,511
Deferred inflows of resources	(165,528)
Deferred inflows and outflows of resources - pensions	\$ 540,983

The following is an explanation of differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the government-wide statement of activities.

The statement of activities and governmental fund revenues, expenditures and changes in fund balance includes a reconciliation between net change in fund balance - total governmental funds and change in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation is governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. The details of this difference are as follows:

Capital outlay	\$ 609,152
Depreciation	(244,901)
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	\$ 364,251

Another element of that reconciliation is some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. The details of this difference are as follows:

Compensated absences	\$ 3,887
Pension expense	65,270
Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	\$ 69,157

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)

Another element of that reconciliation is the net effect of miscellaneous noncash transactions involving capital assets (e.g. sales, trade-ins, adjustments, donations, and impairments) that do not effect current financial resources is not reported in the governmental funds. The details of this difference are as follows:

Impairment of capital assets	\$	311,200
Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	\$	311,200

Another element of that reconciliation is the issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, the statement of net position reports interest accrued on long-term debt, whereas only the current interest expense is reported in the general fund. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The details of this difference are as follows:

Principal payments	\$	21,000
Change in accrued interest		414
Amortization of bond discount		(5,889)
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	\$	15,525

NOTE 3 – CASH AND INVESTMENTS

Deposits

The School considers cash on hand, demand deposits (not subject to withdrawal restrictions), and short-term highly liquid debt instruments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

Custodial credit risk

Custodial credit risk on deposits is the risk that in the event of failure of the depository financial institution, the School will not be able to recover their deposits. All cash resources of the School are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount determined by the State Treasurer. The State Treasurer is required to ensure that customer deposits are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro rata basis.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Custodial credit risk on investments is the risk that, in the event of the failure of a counterparty to a transaction, the School will not be able to recover the value of an investment or collateralized securities in the possession of an outside party. The School's investments are held by a Securities Investor Protection Corporation (SIPC) member which insures balances up to \$500,000 with a \$250,000 limit on cash. The Company has invested \$5,823,845 with one brokerage firm. Of this amount, 12% is attributed to the School and \$622,072 of that portion is uninsured.

Investments

The School does not have an investment policy. Florida Statutes, Section 218.415, authorizes the School to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02
- Direct obligations of the U.S. Treasury

As of June 30, 2019, the School's investment balance was \$680,495 which consists of investments in government money market funds as defined by Rule 2a-7. The investments consist of shares owned in the fund rather than in the underlying investments. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, these amounts are reported at amortized cost. The credit rating of the investments is AAAM with a weighted average maturity of 34 days.

Interest rate risk

At June 30, 2019, the School did not hold any investments that were considered to have an interest rate risk.

Credit risk

At June 30, 2019, the School did not hold any investments that were considered to be a credit risk.

Concentration of credit risk

As of June 30, 2019, the School had investments of \$622,072 which were uninsured. All cash deposits were collateralized through Florida's multiple institution collateralized pool.

Restricted investments

At June 30, 2019, the School had \$568,309 in restricted investments for sinking fund and reserve requirements related to their outstanding debt.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 4 – RELATED PARTY RECEIVABLE AND PAYABLE AND TRANSFERS

The District has granted charters for five schools that operate under the parent company, Bay Haven Charter Academy, Inc. During the year, the schools are operated together using intercompany payables and receivables and transfers as needed. At June 30, 2019, \$92,503 was due to North Bay Haven Charter Middle School from the other schools and \$21,416 was due to the other schools. During the year ended June 30, 2019, no amounts were transferred into the School from other schools and no amounts were transferred from North Bay Haven Charter Middle School to the other schools.

NOTE 5 – CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2019 are as follows:

	Balance		Impairments/		Balance
	June 30, 2018	Additions	Deletions	Transfers	
Land	\$ 520,115	\$ -	\$ -	\$ -	\$ 520,115
Buildings	6,369,473	77,582	(326,779)	18,961	6,139,237
Improvements	90,806	239,354	(20,003)	5,947	316,104
Computers	244,259	178,142	(1,372)	-	421,029
Furniture, fixtures and equipment	323,138	52,274	(4,015)	-	371,397
Construction in process	24,908	61,800	-	(24,908)	61,800
Total capital assets	<u>7,572,699</u>	<u>609,152</u>	<u>(352,169)</u>	<u>-</u>	<u>7,829,682</u>
Less accumulated depreciation					
Buildings	(580,474)	(153,943)	31,714	(2,157)	(704,860)
Improvements	(22,959)	(11,806)	5,478	2,157	(27,130)
Computers	(202,420)	(37,189)	1,373	-	(238,236)
Furniture, fixtures and equipment	(128,848)	(41,963)	2,404	-	(168,407)
Total accumulated depreciation	<u>(934,701)</u>	<u>(244,901)</u>	<u>40,969</u>	<u>-</u>	<u>(1,138,633)</u>
Capital assets, net of accumulated depreciation	<u>\$ 6,637,998</u>	<u>\$ 364,251</u>	<u>\$ (311,200)</u>	<u>\$ -</u>	<u>\$ 6,691,049</u>

Depreciation expense of \$244,901 was charged to governmental activities. Depreciation expense was not allocated to specific functions as their capital assets essentially serve all functions.

See note 15 for further information on impairments during the year.

NOTE 6 – SHORT-TERM DEBT

At June 30, 2019, Bay Haven Charter Academy, Inc. has two lines of credit for a total of \$750,000. Both lines have variable interest rates. The first line of credit which matures in August 2021, has an interest rate of LIBOR plus 2.75%, which was 5.19% at June 30, 2019. The second line of credit, which matures in May 2021 has an interest rate 1% above the lender's prime rate, which was 6.5% at June 30, 2019, and is secured by a money market account with a balance of \$251,125. During the year, there were no proceeds or repayments on the lines of credit and the balance outstanding at June 30, 2019 was \$0.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

On April 17, 2013, Bay County issued \$19,800,000 Educational Facilities Revenue Bonds, series 2013A and \$465,000 Taxable Educational Facilities Revenue Bonds, series 2013B for Bay Haven Charter Academy, Inc. The bonds were issued in order to: (i) finance, acquire and construct new facilities for the North Bay Haven Charter Middle School and the North Bay Haven Charter Career Academy (the "North Bay Haven Relocation Project"), (ii) refund the outstanding principal amount of a taxable land loan incurred by the Company with Branch Banking and Trust Company for purposes of financing the related land acquisition, (iii) fund general working capital needs of the Company, (iv) fund the reserve requirement to the reserve account in the bond fund, (v) fund capitalized interest with respect to the Series 2013 Bonds, and (vi) pay a portion of certain expenses incurred. The bonds bear interest at a rate of 5% for the 2013A series and 5% on the 2013B series and the bonds are set to mature starting September 1, 2033 and the last bonds will mature September 1, 2048. Of the total bond, \$7,092,750 was allocated to North Bay Haven Charter Middle School for their portion of the costs. The bonds are secured by a lien on the land on which the schools sit and all assets thereon and a pledge of all capital funds and charter school operating funds appropriated each year to the District for operation of the School and any additional revenues generated by the operation of the School or leasing of the School. The remaining principal and interest payments on the School's portion of this debt as of June 30, 2019 total \$15,193,654. For the year ended June 30, 2019, principal and interest payments on the bond required 9% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were \$373,076 and \$3,974,677 respectively.

Debt service requirements to maturity on revenue bonds payable at June 30, 2019 are as follows:

Year ending June 30,	Principal	Interest	Amortization of Discounts	Total
2020	\$ 21,000	\$ 350,837	\$ (5,889)	\$ 365,948
2021	22,750	349,546	(5,889)	366,407
2022	24,500	348,152	(5,889)	366,763
2023	26,250	346,702	(5,889)	367,063
2024	28,000	345,975	(5,889)	368,086
2025-2029	330,750	1,688,374	(29,445)	1,989,679
2030-2034	504,000	1,579,550	(29,445)	2,054,105
2035-2039	638,750	1,437,581	(29,445)	2,046,886
2040-2044	1,750,000	1,187,725	(29,445)	2,908,280
2045-2049	3,668,000	545,212	(29,433)	4,183,779
Total	\$ 7,014,000	\$ 8,179,654	\$ (176,658)	\$ 15,016,996

NOTE 8 – ACCRUED COMPENSATED ABSENCES

The School's policy is to grant paid absences for vacation and sick leave. Employees are encouraged to use vacation time in the benefit period in which it is earned. There are two categories of employees, twelve-month employees and ten-month employees.

- Twelve-month employees: All exempt twelve-month employees are able to carryover and accrue up to a maximum of 40 hours of current year vacation time each year. If the employee has been

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 8 – ACCRUED COMPENSATED ABSENCES (CONTINUED)

employed by the School at least five years they may sell back their unused vacation time over the maximum allowed rollover hours for that particular benefit period. No employee is permitted to carry over more than 240 accrued hours of vacation to the next benefit period. After five years of service, upon termination of employment, these employees are eligible to receive pay for accrued unused vacation time.

- Ten-month employees: All ten-month employees are able to carryover and accrue to up a maximum of 16 hours of current year personal leave time. All unused personal leave in excess of 16 hours for that benefit period will be paid out at the employee's rate of pay at the end of the contract. No ten-month employee is permitted to carry over more than 22 accrued personal leave days to the next benefit period.

As of June 30, 2019, the School had \$18,972 in accrued compensated absences, of which \$4,359 was estimated to be current and \$14,613 was long-term.

NOTE 9 – DEFINED BENEFIT PENSION PLANS

General information

The Florida Retirement System (FRS) was created pursuant to Chapter 121, Florida Statutes, in order to provide a defined benefit pension plan for participating public employees. 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 (the FRS Investment Plan) alternative to the defined benefit plan for FRS members. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of state-administered retirement systems in paying health insurance costs.

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

Florida Retirement System 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:

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

- Regular – Members of FRS who do not qualify for membership in the other classes
- Drop – Members of FRS who have effectively retired and continue covered employment for up to five years
- Reemployed – Members of FRS who are employed after previous retirement under FRS

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, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 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, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of 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.

The DROP program, 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, except that certain instructional personnel may participate for up to 96 months. 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 total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement 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 table shows the percentage value for each year of service credit earned:

<u>Class, initial enrollment, and retirement age/years of service</u>	<u>Percent Value</u>
Regular 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

**North Bay Haven Charter Middle School
Notes to Financial Statements**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

<u>Class, initial enrollment, and retirement age/years of service</u>	<u>Percent Value</u>
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 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 was initially enrolled in 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 was 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.

Health Insurance Subsidy Program

Plan description

The Health Insurance Subsidy (HIS) Program 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 Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2018-2019 fiscal year were as follows:

	Percentage of Gross Salary	
	Employee	Employer (1)
Regular class	3.00%	8.26%
DROP plan participants	0.00%	14.03%
FRS, reemployed retiree	note (2)	note (2)

Notes:

- 1) Employer rates include 1.66 percent for HIS. Employer rates, other than for DROP participants, include 0.06 percent for administrative/educational fees.
- 2) Contribution rates are dependent upon retirement class in which reemployed.

HIS 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. HIS contributions are deposited in a separate trust fund from which payments are authorized. HIS 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 for the year ended June 30, 2019, were \$95,030 to FRS and \$27,848 to HIS.

Pension liabilities and pension expense

The School reports a liability for its proportionate share of net pension liabilities. Net pension liabilities were measured as of June 30, 2018, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2018. The School's proportions of the net pension liability was based on the School's actuarially determined share of contributions to the pension plans, relative to the contributions of all participating entities.

Year ended June 30, 2019	FRS		HIS	
Net pension liability	\$	951,371	\$	538,749
Proportion at:				
Current measurement date		0.003158549%		0.005090168%
Prior measurement date		0.003291898%		0.005295724%
Pension expense	\$	177,337	\$	57,243

**North Bay Haven Charter Middle School
Notes to Financial Statements**

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Deferred outflows/inflows of resources related to pensions

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ 80,596	\$ 2,925
Effect of assumptions changes or inputs	310,862	-
Net difference between projected and actual investment earnings	-	73,505
Changes in proportion and differences between contributions and proportionate share of contributions	53,885	19,071
Contributions subsequent to the measurement date	95,030	-
Total	\$ 540,373	\$ 95,501

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ 8,248	\$ 915
Effect of assumptions changes or inputs	59,916	56,962
Net difference between projected and actual investment earnings	325	-
Changes in proportion and differences between contributions and proportionate share of contributions	69,801	12,150
Contributions subsequent to the measurement date	27,848	-
Total	\$ 166,138	\$ 70,027

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year-end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Measurement period ending June 30,	FRS Expense	HIS Expense
2019	\$ 135,916	\$ 24,567
2020	95,935	24,540
2021	16,165	18,754
2022	57,272	7,970
2023	38,604	(5,455)
Thereafter	5,950	(2,113)
Total	\$ 349,842	\$ 68,263

Actuarial assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2018, was determined by an actuarial valuation dated July 1, 2018, using the individual entry-age normal actuarial cost method and the following significant actuarial assumptions:

	FRS	HIS
Inflation	2.60%	2.60%
Salary increases	3.25%	3.25%
Investment rate of return	7.00%	N/A
Discount rate	7.00%	3.87%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB.

For both plans, the actuarial assumptions used in the valuation dated July 1, 2015 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

The following changes in actuarial assumptions occurred in 2018:

- FRS: The long-term expected rate of return was decreased from 7.1% to 7.00% and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. For FRS, the table below summarizes the target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 9 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
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%
	<u>100%</u>			

Discount rate

The discount rate used to measure the total pension liability for FRS was 7.00%. FRS' 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.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

Sensitivity analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the School's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1 % Decrease	Discount Rate	1 % Increase	1 % Decrease	Discount Rate	1 % Increase
6.00%	7.00%	8.00%	2.87%	3.87%	4.87%
\$ 1,736,293	\$ 951,371	\$ 299,448	\$ 613,604	\$ 538,749	\$ 476,354

Pension plans' fiduciary net position

Detailed information about the pension plans' fiduciary net position is available in the State's separately issued financial reports.

Payables to the pension plan

As of June 30, 2019, the School reported no payable to either pension plan.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 10 – DEFINED CONTRIBUTION PLAN

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida’s 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. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, based on salary and membership class, 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 2018-2019 fiscal year were as follows:

	Percentage of Gross Salary	
	Employee	Employer
FRS, Regular	3.00%	3.30%

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 \$10,602 for the fiscal year ended June 30, 2019.

North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 11 – FUND BALANCE AND NET POSITION RESTRICTIONS

The statement of net position and governmental fund balance sheet reports a restricted net position and fund balance of \$391,034 and \$937,656, respectively. Of these amounts \$257,161 is restricted by enabling legislation. The following is a description of reported restrictions at June 30, 2019.

Restricted debt service – This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from operating funds into sinking funds. The amount restricted for debt service for fund balance and net position are \$568,309 and \$21,687, respectively. The difference is \$429,470 of the restricted fund balance related to net investment in capital assets and \$117,152 of accrued interest on the statement of net position.

Restricted insurance proceeds – This restriction was established based on debt agreements which require all insurance proceeds in excess of \$50,000 for encumbered property be paid directly to the Trustee and then paid out similar to the original project proceeds through requisitions. The amount restricted for insurance proceeds is \$112,186.

Restricted food service – This restriction was established based on 7 CFR Section 210.14 which requires that revenues received by food service be used only for the operation or improvement of the food service program. The amount restricted for food service is \$257,161.

NOTE 12 – CAPITAL APPROPRIATIONS FUNDING

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the State for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. For the year ended June 30, 2019, the School's CSCO award totaled \$255,027. CSCO funds of \$255,027 have been recognized in the accompanying statement of revenues, expenditures and changes in fund balance that relate to various capital expenditures, repairs and maintenance. If the CSCO funds are used to acquire tangible property assets, Bay County District School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the Charter School Agreement, ownership of the assets would revert to the District.

NOTE 13 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, thefts of, or damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies. There have been no claims in excess of insurance coverage limits during the past three years.



North Bay Haven Charter Middle School Notes to Financial Statements

NOTE 14 – RELATED PARTY TRANSACTIONS

The School was engaged in business with a fencing company owned by one of the School's board members during the year ended June 30, 2019. For the year ended June 30, 2019, \$27,623 was paid to the fencing company by the School. As of June 30, 2019, \$12,115 of that amount was payable to the related party.

NOTE 15 – EXTRAORDINARY ITEM

The School was impacted by Hurricane Michael when it made landfall in October 2018. The School suffered an impairment loss of \$311,200 as a result of the hurricane related damage to its campus and has received, thus far, \$315,053 for insurance recoveries. The insurance recoveries are included in other financing sources in the general fund column of the statement of activities and governmental fund revenues, expenditures and changes in fund balance, and shown as an extraordinary item in the statement of activities column, net of the impairment loss, for a net gain of \$3,853.

The total amount of damages related to Hurricane Michael has not been determined as of the report date. Thus, the actual costs for hurricane repairs could be higher than estimated at this time. If significant additional costs are incurred the School will request supplemental payments from their insurance carrier above the original estimates.

REQUIRED SUPPLEMENTARY INFORMATION

North Bay Haven Charter Middle School
Schedule of the School's Proportionate Share of the Net Pension Liability –
Florida Retirement System
Last 10 Fiscal Years

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
School's proportion of the net pension liability	0.0031585%	0.0032919%	0.0032464%	0.0035392%	0.0023025%	N/A	N/A	N/A	N/A	N/A
School's proportionate share of the net pension liability	\$ 951,371	\$ 973,967	\$ 819,731	\$ 424,460	\$ 151,519	N/A	N/A	N/A	N/A	N/A
School's covered payroll	\$ 1,375,159	\$ 1,376,694	\$ 1,347,039	\$ 1,250,757	\$ 867,153	N/A	N/A	N/A	N/A	N/A
School's proportionate share of the net pension liability as a percentage of its covered payroll	69.18%	70.75%	60.85%	33.94%	17.47%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

North Bay Haven Charter Middle School
Schedule of the School's Contributions – Florida Retirement System
Last 10 Fiscal Years

Year ended June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	\$ 95,030	\$ 95,007	\$ 85,688	\$ 79,170	\$ 80,121	\$ 50,434	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(95,030)	(95,007)	(85,688)	(79,170)	(80,121)	(50,434)	N/A	N/A	N/A	N/A
<u>Contribution deficiency/(excess)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
School's covered payroll	\$ 1,258,463	\$ 1,375,159	\$ 1,376,694	\$ 1,347,039	\$ 1,250,757	\$ 867,153				
Contributions as a percentage of covered payroll	7.55%	6.91%	6.22%	5.88%	6.41%	5.82%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

**North Bay Haven Charter Middle School
Schedule of the School's Proportionate Share of the Net Pension Liability –
Health Insurance Subsidy Program
Last 10 Fiscal Years**

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
School's proportion of the net pension liability	0.0050902%	0.0052957%	0.0053076%	0.0049454%	0.0035248%	N/A	N/A	N/A	N/A	N/A
School's proportionate share of the net pension liability	\$ 538,749	\$ 566,243	\$ 618,574	\$ 504,356	\$ 332,578	N/A	N/A	N/A	N/A	N/A
School's covered payroll	\$ 1,375,159	\$ 1,376,694	\$ 1,347,039	\$ 1,250,757	\$ 867,153	N/A	N/A	N/A	N/A	N/A
School's proportionate share of the net pension liability as a percentage of its covered payroll	39.18%	41.13%	45.92%	40.32%	38.35%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2009 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

North Bay Haven Charter Middle School
Schedule of the School's Contributions – Health Insurance Subsidy Program
Last 10 Fiscal Years

Year ended June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	\$ 27,848	\$ 29,134	\$ 28,024	\$ 27,205	\$ 18,905	\$ 10,505	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(27,848)	(29,134)	(28,024)	(27,205)	(18,905)	(10,505)	N/A	N/A	N/A	N/A
<u>Contribution deficiency/(excess)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
School's covered payroll	\$ 1,258,463	\$ 1,375,159	\$ 1,376,694	\$ 1,347,039	\$ 1,250,757	\$ 867,153				
Contributions as a percentage of covered payroll	2.21%	2.12%	2.04%	2.02%	1.51%	1.21%	N/A	N/A	N/A	N/A

* Disclosures for 2010 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

SUPPLEMENTARY INFORMATION

North Bay Haven Charter Middle School
Schedule of Revenues and Expenditures – General Fund (Management Format)
Year Ended June 30, 2019

Revenues	<u>Account</u>								<u>Total</u>
Federal sources	3100								\$ 19,113
Federal sources through state	3200								132,348
State sources	3300								3,712,323
Local sources	3400								110,893
Insurance loss recovery	3700								315,053
Total revenues									<u>4,289,730</u>
		100 Employee	200 Employee	300 Purchased	400 Energy	500 Materials	600 Capital	700 Other	
		Salaries	Benefits	Services	Services	& Supplies	Outlay	Expenditures	
Expenditures									
Regular instruction	5100	\$ 1,109,692	\$ 269,934	\$ 4,487	\$ -	\$ 58,953	\$ 6,101	\$ 113,894	1,563,061
Exceptional instruction	5200	105,371	24,715	1,929	-	1,888	-	-	133,903
Pupil services	6100	84,479	21,560	32	-	684	-	-	106,755
Instructional media services	6200	2,137	667	-	-	724	-	23	3,551
Instruction staff training services	6400	-	-	9,123	-	633	220	6,642	16,618
Instructional related technology	6500	-	-	-	-	25,147	176,463	-	201,610
Board services	7100	-	-	16,164	-	-	-	-	16,164
General administrative services	7200	129,003	31,452	3,373	-	8,464	782	11,803	184,877
School administrative services	7300	192,293	41,955	23,333	-	5,614	2,544	31,370	297,109
Facilities acquisition and construction	7400	-	-	1,438	-	31,131	375,257	-	407,826
Fiscal services	7500	-	-	373	-	3,206	-	-	3,579
Food services	7600	39,988	10,263	1,662	-	60,816	-	98	112,827
Pupil transportation services	7800	37,437	7,876	6,680	5,487	1,508	36,405	549	95,942
Operation of plant	7900	-	-	121,728	56,120	-	10,714	5,184	193,746
Maintenance of plant	8100	22,333	6,688	22,008	-	2,713	666	1,085	55,493
Community services	9100	8,970	1,512	4,443	-	1,656	-	30	16,611
Debt service	9200								
Redemption of principal		-	-	-	-	-	-	21,000	21,000
Interest		-	-	-	-	-	-	352,076	352,076
Total expenditures		<u>\$ 1,731,703</u>	<u>\$ 416,622</u>	<u>\$ 216,773</u>	<u>\$ 61,607</u>	<u>\$ 203,137</u>	<u>\$ 609,152</u>	<u>\$ 543,754</u>	<u>3,782,748</u>
Net change in fund balance									<u>\$ 506,982</u>

See independent auditors' report

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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

Board of Directors
Bay Haven Charter Academy, Inc.
Panama City, 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, the aggregate discretely presented component unit, and the major fund of North Bay Haven Charter Middle School (School), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 21, 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 to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

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

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

2019-001 – Manual Depreciation Schedule Procedures and Adjustments to Financial Statements for Capital Outlay (Initially reported in 2019)

Condition: Adjustments were required for the depreciation schedule to tie to the financial statements for the Academy as a whole and by school. In addition, school capital additions did not agree with capital outlays per the trial balance prior to adjustment.

Effect: The depreciation schedule did not agree with the trial balance prior to adjustment.

Cause: The depreciation schedule is maintained on an excel spreadsheet and was not maintained on a timely basis during the year ended June 30, 2019 which management concludes is because of Hurricane Michael.

Criteria: The requirement is for the Company to be able to prepare a depreciation schedule that agrees to the trial balance.

Recommendation: We recommend that the Company consider changing to a fixed asset program. We also recommend that the beginning balances be reconciled to the prior year audited ending balances at the beginning of each year and updated for additions and deletions throughout the year. Additions to capital outlay should be reconciled to the trial balance in total as well as by school allocation.

Views of Responsible Officials and Planned Corrective Action: Management is in the process of converting to the fixed asset module of the accounting software to improve the fixed asset processes. Management will consider implementing a process for updating fixed assets throughout the year and reconciling amounts on the depreciation schedule to the trial balance in total and by school. However, the Company would like to emphasize that Bay Haven Charter Academy, Inc. suffered extensive property damage due to Hurricane Michael. Because of this damage there were numerous fixed asset additions. Given the nature of the event, the Company sees the need for improvement.

2019-002 – Delays in Deposits (Initially reported in 2019)

Condition: The School does not always follow its policy of requiring funds be deposited at least every other day.

Effect: Not depositing funds at least every other day is a violation of school policy and increases the possibility of lost deposits and errors in deposits.

Cause: The School neglected to deposit funds received at least every other day.

Criteria: Timely deposits are required by school policy and by sound management practices.

Recommendation: The School should implement controls to ensure that deposits are made in a timely manner at least every other day in accordance with their policy.

Views of Responsible Officials and Planned Corrective Action: Management has stressed the importance of making timely deposits to school staff and have implemented additional internal controls to ensure deposits are made in accordance with school policy in the future.

2019-003 – Segregation of Duties (Prior years 2018-003 and 2017-002) (Initially reported in 2017)

Condition: The School does not have proper segregation of duties in the area of employees' access within the accounting software due to a limited number staff and the need to cross-train staff in the event of absences.

Effect: Not having proper segregation of duties increases the possibility of undetected errors or irregularities.

Cause: The School has a limited number staff available which leads to certain incompatible duties being performed by one person. The School has considered the costs of hiring additional staff to improve segregation of duties, and has determined that the costs would outweigh the derived benefits at this time.

Criteria: Authorization, custody, and record keeping duties should be segregated to provide reasonable assurance that assets and transactions are handled appropriately.

Recommendation: The School should continue to evaluate the cost versus the benefit of hiring additional staff to improve segregation of duties. Incompatible duties should be separated as much as possible and compensating controls should be implemented to reduce the risks caused by the lack of segregation of duties.

Views of Responsible Officials and Planned Corrective Action: This finding relates to areas that may never be fully resolved due to the limited number of staff and resources available. Management believes the resources necessary to eliminate the finding would include hiring additional staff which would be cost prohibitive. Management does not believe the investment required to eliminate this finding would provide sufficient benefit to justify the cost. Mitigating controls have been implemented to reduce risks related to the lack of proper segregation.

Compliance and Other Matters

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

Management's Response to Findings

The views of responsible officials and planned corrective actions related to the findings identified in our audit are included above. The views of responsible officials and planned corrective actions were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of This Report

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

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants

Panama City Beach, Florida

November 21, 2019

INDEPENDENT AUDITORS’ MANAGEMENT LETTER

Board of Directors
Bay Haven Charter Academy, Inc.
Panama City, Florida

Report on the Financial Statements

We have audited the financial statements of North Bay Haven Charter Middle School (School), a component unit of Bay County District School Board, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 21, 2019.

Auditors’ 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 Auditors’ 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*. Disclosures in that report, which is dated November 21, 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. Corrective actions were taken to address the findings made in the preceding annual financial audit report except as follows:

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2017-18 FY Finding No.	2016-17 FY Finding No.
2019-003	2018-003	2017-002

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 North Bay Haven Charter Middle School (0731).

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of This Letter

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

Carr, Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
November 21, 2019