

**Bay Haven Charter Academy, Inc.
(A Component Unit of Bay County
District School Board)**

Special-Purpose Financial Statements

June 30, 2018




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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 special-purpose financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of Bay Haven Charter Academy, Inc. (Company), as of and for the year ended June 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Company's special-purpose 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 special-purpose 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 special-purpose financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these special-purpose 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 special-purpose financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose 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 auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the special-purpose 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 special-purpose 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 Company, as of June 30, 2018, and the respective changes in financial position and the respective 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 Bay Haven Charter Academy, Inc. and do not purport to, and do not present fairly the financial position of Bay County District School Board as of June 30, 2018, the changes in their financial position, or, where applicable, their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is 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 and analysis on pages 4 through 9, the schedule of the Company's proportionate share of the net pension liability – Florida Retirement System on page 39, the schedule of the Company's contributions – Florida Retirement System on page 40, the schedule of the Company's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 41, and the schedule of the Company's contributions – Health Insurance Subsidy Program on page 42 be presented to supplement the basic special-purpose financial statements. Such information, although not a part of the basic special-purpose 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 special-purpose 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 special-purpose 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 special-purpose financial statements that collectively comprise the Company's basic special-purpose 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 special-purpose financial statements. The 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 special-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic special-purpose 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 special-purpose financial statements or to the basic special-purpose 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 special-purpose 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 January 9, 2019, on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Cary Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
January 9, 2019

Management's Discussion and Analysis

Management's discussion and analysis provide an easily readable analysis of Bay Haven Charter Academy, Inc.'s (Company) financial activities. The analysis provides summary financial information for the Company and should be read in conjunction with the Company's financial statements.

Financial Highlights

- Total assets and deferred outflows of resources of the Company exceeded total liabilities and deferred inflows of resources by \$13,603,505 (total net position). Of this amount, \$6,609,127 is unrestricted net position for governmental activities. Total net position includes \$6,198,020 net investment in capital assets in the governmental activities.
- Total net position increased by \$1,819,240 during the year ended June 30, 2018.
- As of June 30, 2018, the general fund unassigned fund balance was \$12,573,762 or 50% of total general fund expenditures for the year.
- Governmental activities' revenues increased to \$25,383,730 or 8%, while governmental activities' expenses increased 5% to \$23,564,859.

Overview of the Financial Statements

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

Government-wide Financial Statements

The *special-purpose government-wide financial statements* include the *special-purpose statement of net position* and *special-purpose statement of activities*. These statements are designed to provide readers with a broad overview of the Company'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 Company'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 Company does not have any business-type activities.

The *special-purpose statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Company and the Preschools at the Bay Haven campus and North Bay Haven campus, with the difference between them reported as *net position*. Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net

position are reported separately for governmental activities and business-type activities. Increases or decreases in net position over time may serve as a useful indicator of the Company's improving or declining financial position.

The *special-purpose statement of activities* presents information on all revenues and expenses of the Company and the preschools 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 Company to account for revenues that are restricted to certain uses or to comply with legal requirements. The major categories of funds found in the Company's *special-purpose fund financial statements* include: governmental funds.

Special-purpose fund financial statements provide financial information for the Company's major fund and more detailed information about the Company's activities along with detailed information about the preschools. 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 all governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balance. The Company's general fund includes a statement of revenues and expenditures - budget and actual.

The *special-purpose government-wide financial statements* and the *special-purpose fund financial statements* provide different presentations of the Company's financial position. Categorized by governmental activities and component units, the government-wide financial statements provide an overall picture of the Company's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the Company's overall financial health and present the means used to pay for various activities, or functions provided by the Company. All assets and deferred outflows of resources of the Company, including buildings and land are reported in the special-purpose 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 special-purpose statement of activities includes depreciation on all long lived assets of the Company. The *fund financial statements* provide a presentation of the Company's major fund. In the case of governmental activities, 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 *special-purpose fund financial statements* and the *special-purpose government-wide financial statements*, a reconciliation is provided.

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

Financial Analysis of the Company

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the Company. At the end of the fiscal year 2018, the Company 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>	2018	2017
Current and other assets	\$ 17,165,705	\$ 18,037,003
Capital assets, net	39,415,511	37,193,191
Total assets	56,581,216	55,230,194
Deferred outflows of resources	5,289,471	4,813,191
Current liabilities	1,163,062	2,015,120
Noncurrent liabilities	46,323,916	46,009,305
Total liabilities	47,486,978	48,024,425
Deferred inflows of resources	780,204	234,695
Net position		
Net investment in capital assets	6,198,020	4,476,759
Restricted	796,358	627,162
Unrestricted	6,609,127	6,680,344
Total net position	\$ 13,603,505	\$ 11,784,265

Net investment in capital assets (e.g., land, buildings, and equipment), net of related outstanding debt used to acquire those assets, represents 46% of the Company's net position. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the Company'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 Company's net position, \$796,358 (6%), represents resources that are subject to restrictions on how they may be used. The balance of *unrestricted net position* (\$6,609,127) may be used to help meet the Company'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>	2018	2017
Revenues		
Intergovernmental	\$ 22,390,840	\$ 20,971,319
Charges for services	1,590,702	1,502,215
Operating contributions and grants	449,227	455,616
Other revenue from local sources	227,804	143,507
Donations	573,342	258,868
Gain on sale of assets	-	100,000
Miscellaneous	103,962	88,766
Interest income	47,853	28,132
Total revenues	25,383,730	23,548,423
Expenses		
Instructional services	12,990,196	12,164,463
Support services	7,200,149	6,932,653
Depreciation	1,487,249	1,255,966
Interest	1,886,896	1,834,681
Debt services fees	-	306,417
Total expenses	23,564,490	22,494,180
Increase in net position	\$ 1,819,240	\$ 1,054,243

For the year ended June 30, 2018, governmental activities' revenues exceeded expenses by \$1,819,240. Total revenues increased \$1,835,307 from the previous year. Revenues increased primarily as a result of intergovernmental revenue and donations. Total expenses increased \$1,070,310 from the previous year.

Intergovernmental receipts generated 88% of the revenues for governmental activities. Most of the governmental resources were expended for instructional services (55%) and support services (31%).

Financial Analysis of the Company's Funds

Governmental Funds

General Fund

The main operating fund of the Company is the general fund. As of June 30, 2018, total assets were \$17,154,279 and total liabilities were \$590,864. At the end of fiscal year 2018, unassigned fund balance of the general fund was \$12,573,762.

Analysis of General Fund Budget Variations

For the year ended June 30, 2018, the general fund expenditures exceeded the final budgeted amount by \$2,624,973, primarily due to not budgeting for capital outlay related to the new campus construction and the administration building. Total revenues exceeded the final budgeted amount by \$329,408.

Capital Assets Activity

The following schedule provides a summary of the Company's capital assets activity. The Company's total investment in capital assets activities as of June 30, 2018, was \$39,415,511 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, computers, furniture, fixtures and equipment, and construction in progress.

Capital Assets (net of depreciation) Governmental Activities		
June 30,	2018	2017
Land	\$ 2,612,870	\$ 2,612,870
Construction in progress	125,037	6,031,076
Buildings	32,705,305	25,011,302
Improvements	1,631,529	1,203,123
Computers	262,831	279,769
Furniture, fixtures and equipment	2,077,939	2,055,051
Total	\$ 39,415,511	\$ 37,193,191

Additional information on the Company's capital assets can be found in note 4: capital assets, of the notes to special-purpose financial statements.

Debt Management

At the end of the 2018 fiscal year, the Company had total bond debt outstanding in the amount of \$35,390,000, which is shown on the special-purpose financial statements net of \$477,614 in premiums and discounts.

Outstanding Bond Debt Governmental Activities		
June 30,	2018	2017
Revenue bonds	\$ 34,912,386	\$ 35,252,130

At the end of the 2018 fiscal year, the Company had total debt outstanding for a capital lease in the amount of \$719,694.

Outstanding Capital Lease Governmental Activities		
June 30,	2018	2017
Capital lease payable	\$ 719,694	\$ 798,885

More detail on the Company's debt is presented in notes 5 and 6 of the notes to special-purpose financial statements.

Economic Factors and Next Year's Budget

In setting the budget for FY 2019, the Company considered a number of issues, among them:

- Increased student enrollment
- Continued curriculum content development, adoption of new programs, and related IT support
- Increased salary and benefit costs due to higher salaries, rising insurance cost, and additional staff
- Increased costs due to construction of North Bay Haven Middle and High School administrative building and athletic facilities

On October 10, 2018, Bay County took a direct hit from Hurricane Michael. While the Company's 2019 budget will be affected, the financial impact cannot be measured at this time.

Contacting the Company's Finance Department

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

Bay Haven Charter Academy, Inc.
Special-Purpose Statement of Net Position
June 30, 2018

	Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	\$ 13,660,466	\$ 194,930
Investments	3,377,200	-
Accounts receivable, net	25,133	-
Prepays	85,214	-
Inventory	6,266	-
Other assets	11,426	-
Capital assets, net	39,415,511	-
Total assets	56,581,216	194,930
Deferred outflows of resources - pensions	5,289,471	-
Total assets and deferred outflows of resources	61,870,687	194,930
Liabilities		
Accounts payable and accrued expenses	488,297	760
Accrued salaries and benefits	27,553	-
Unearned revenue	39,573	-
Interest payable	607,639	-
Long-term liabilities		
Due within one year		
Capital lease, current portion	84,075	-
Accrued compensated absences, current portion	35,441	-
Revenue bonds, current portion	375,000	-
Due in more than one year		
Capital lease, net of current portion	635,619	-
Accrued compensated absences, net of current portion	72,444	-
Net pension liability	10,583,951	-
Revenue bonds, net of current portion and discount/premium	34,537,386	-
Total liabilities	47,486,978	760
Deferred inflows of resources - pensions	780,204	-
Total liabilities and deferred inflows of resources	48,267,182	-
Net position		
Net investment in capital assets	6,198,020	-
Restricted	796,358	196,303
Unrestricted	6,609,127	(2,133)
Total net position	\$ 13,603,505	\$ 194,170

See accompanying notes

Bay Haven Charter Academy, Inc.
Special-Purpose Statement of Activities
Year Ended June 30, 2018

					Net (Expenses) Revenues and Changes in Net Position	
	Program Revenues				Primary Government	Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental activities						
Instructional services	\$ 12,990,196	\$ 603,578	\$ -	\$ -	\$ (12,386,618)	\$ -
Support services	7,200,149	987,124	449,227	-	(5,763,798)	-
Depreciation	1,487,249	-	-	-	(1,487,249)	-
Interest on long-term debt	1,886,896	-	-	-	(1,886,896)	-
Total primary government	\$ 23,564,490	\$ 1,590,702	\$ 449,227	\$ -	(21,524,561)	-
Total component unit	\$ 467,986	\$ -	\$ -	\$ -	-	(467,986)
General revenues						
					22,390,840	-
					227,804	-
					573,342	465,564
					103,962	-
					23,295,948	465,564
					47,853	206
					23,343,801	465,770
Change in net position					1,819,240	(2,216)
Net position - beginning					11,784,265	196,386
Net position - ending					\$ 13,603,505	\$ 194,170

See accompanying notes

Bay Haven Charter Academy, Inc.
Special-Purpose Balance Sheet – Governmental Funds
June 30, 2018

	General Fund
Assets	
Cash and cash equivalents	\$ 13,660,466
Investments	3,377,200
Accounts receivable, net	25,133
Prepays	85,214
Inventory	6,266
Total assets	17,154,279
Liabilities	
Accounts payable and accrued expenses	488,294
Accrued salaries and benefits	27,553
Accrued compensated absences, current portion	35,441
Unearned revenue	39,573
Total liabilities	590,861
Fund balance	
Nonspendable	91,480
Restricted	3,816,681
Assigned	81,495
Unassigned	12,573,762
Total fund balance	16,563,418
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets and other noncurrent assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,426,937
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.	4,509,267
Long-term liabilities, including bonds payable and capital leases, are not due and payable in the current period and, therefore, are not reported in the funds.	(46,896,117)
Net position of governmental activities	\$ 13,603,505

See accompanying notes

Bay Haven Charter Academy, Inc.
Special-Purpose Statement of Revenues, Expenditures
and Changes in Fund Balance – Governmental Funds
Year Ended June 30, 2018

	General Fund
Revenues	
Intergovernmental	\$ 22,840,067
Charges for services	603,578
Before and aftercare fees	509,356
Lunchroom fees	477,768
Other revenue from local sources	227,804
Donations	100,583
Interest	47,853
Miscellaneous	103,962
Gain on sale of assets	30,000
Total revenues	24,940,971
Expenditures	
Instructional	
Regular instruction	11,290,366
Exceptional instruction	1,077,353
Support services	
Pupil services	648,365
Instructional media services	61,418
Instructional staff training services	69,620
Instructional related technology	124,279
Board services	105,521
General administrative services	1,205,807
School administrative services	1,788,212
Fiscal services	25,626
Food services	665,393
Pupil transportation services	332,398
Plant operations	1,396,084
Maintenance services	317,193
Community services	296,082
Capital outlay	
Site, building and equipment	3,236,809
Debt service	
Principal and interest	2,311,728
Total expenditures	24,952,254

(Continued)

See accompanying notes

Bay Haven Charter Academy, Inc.
Special-Purpose Statement of Revenues, Expenditures
and Changes in Fund Balance – Governmental Funds (Continued)
Year Ended June 30, 2018

	General Fund
Net change in fund balance	\$ (11,283)
Fund balance	
Beginning of year	16,574,701
End of year	\$ 16,563,418

See accompanying notes

Bay Haven Charter Academy, Inc.
Reconciliation of the Governmental Funds Special-Purpose
Statement of Revenues, Expenditures and Changes in
Fund Balance to the Special-Purpose Statement of Activities
Year Ended June 30, 2018

Amounts reported for governmental activities in the special-purpose statement of activities are different because:

Net change in fund balance - total governmental funds (page 14)	\$	(11,283)
<p>Governmental funds report capital outlays as expenditures. However, in the special-purpose statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.</p>		
		1,749,560
<p>The net effect of miscellaneous noncash transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to increase net position.</p>		
		472,759
<p>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 governmental funds report the effect of the issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the special-purpose statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		424,829
<p>Revenues reported in the special-purpose statement of activities in the prior year and reported as revenue in general fund in the current year.</p>		
		(30,000)
<p>Some expenses reported in the special-purpose statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (i.e. compensated absences, pension expense, and amortization of bond discounts).</p>		
		(786,625)
<hr/>		
Change in net position of governmental activities (page 11)	\$	1,819,240
<hr/>		

See accompanying notes

Bay Haven Charter Academy, Inc.
Special-Purpose Statement of Revenues and Expenditures –
Budget and Actual – General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 21,280,931	\$ 22,474,102	\$ 22,840,067	\$ 365,965
Charges for services	604,984	604,984	603,578	(1,406)
Before and aftercare fees	530,108	542,258	509,356	(32,902)
Lunchroom fees	500,898	488,748	477,768	(10,980)
Other revenue from local sources	247,647	309,592	227,804	(81,788)
Donations	-	-	100,583	100,583
Interest	13,611	13,611	47,853	34,242
Miscellaneous	160,268	160,268	103,962	(56,306)
Gain on sale of assets	-	18,000	30,000	12,000
Total revenues	23,338,447	24,611,563	24,940,971	329,408
Expenditures				
Instructional	12,428,256	12,567,045	12,367,719	199,326
Support services	7,285,409	7,434,565	7,035,998	398,567
Capital outlay	-	-	3,236,809	(3,236,809)
Debt service	2,325,671	2,325,671	2,311,728	13,943
Total expenditures	22,039,336	22,327,281	24,952,254	(2,624,973)
Net change in fund balance	\$ 1,299,111	\$ 2,284,282	\$ (11,283)	\$ (2,295,565)

See accompanying notes

Bay Haven Charter Academy, Inc. Notes to Special-Purpose Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Bay Haven Charter Academy, Inc. (Company), a component unit of Bay County District School Board (District), was organized in April 2001 as a Florida nonprofit corporation. The Company consists of five individual charter schools (schools). The individual schools are granted charters from the District to operate public schools, grades kindergarten through 12th within the District. Each of the five charters expire in March 2029. The District has the option to renew the charters or to terminate them upon expiration, or before their expiration date, based on circumstances defined in the agreement.

Financial reporting entity

For financial statement and reporting purposes, the Company is a component unit of the District. The Company and the schools: 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.

These financial statements include only the balances and activity of the Company. They are not intended to be a complete presentation of the financial position or the changes in financial position 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 schools conform to GAAP, as applicable to charter schools in the State of Florida.

Component unit – Bay Haven Charter Academy Foundation, Inc.

This report includes special-purpose financial statements of the funds of the Company. The reporting entity for the Company 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 special-purpose financial statements to be misleading or incomplete. Legally separate organizations should be reported as component units 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. Legally separate tax exempt organizations should be reported as component units 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 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

Bay Haven Charter Academy, Inc. Notes to Special-Purpose Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 special-purpose financial statements to emphasize that it is legally separate from the primary government. The Company has one component unit as defined by GASB Statement 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 buildings and subsequent capital outlay projects for the Company. 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 Company, exclusion of the Foundation's financial operations would render the Company'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 Company.

Basis of presentation

The accompanying special-purpose financial statements of the Company 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 special-purpose financial statements are prepared from the accounts of the Company 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.

Governmental funds are used to account for the Company's general governmental activities, including the collection and disbursement of specific or legally restricted monies, the acquisition and construction of capital assets, and the servicing of long-term debt.

Measurement Focus and Basis of Accounting

The financial statements of the Company are composed of the following:

- Special-purpose Government-wide financial statements
- Special-purpose Fund financial statements
- Notes to special-purpose financial statements

Bay Haven Charter Academy, Inc. Notes to Special-Purpose 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. These statements include separate columns for the governmental and business-type activities of the primary government. Government activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The Company has no business-type activities.

Government-wide financial statements are reported using the 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 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 Company'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. Current financial resources measurement focus generally means

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 liabilities of the current period. The Company considers grants, entitlements and other revenues available if collected within 60 days after year end. Grants, entitlements and interest are all considered to be susceptible to accrual and are recognized as revenues of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Company. 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 basic 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 Company 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 Company'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

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

to ten years for computers, furniture, fixtures, and equipment and from ten to forty years for building and improvements. Amortization expense on capitalized leased assets is included with depreciation expense.

Eliminations

Eliminating entries have been made to various accounts resulting from transactions between the various schools consolidated in these special-purpose financial statements.

Revenue recognition

Student funding is provided by the State of Florida through the District. Such 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.

Accounts receivable

Receivables at June 30, 2018 are net of allowance for uncollectable accounts. There was no allowance for uncollectable amounts considered necessary at June 30, 2018.

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

The Company is responsible for the income taxes of the schools under its control. 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 special-purpose financial statements. The Company has no unrelated business income for the year ended June 30, 2018. The Company's federal income tax returns for fiscal years 2015, 2016, and 2017 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.

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital lease obligations

Obligations arising from capital leases are reported as liabilities.

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 and the Retirees' Health Insurance Subsidy (HIS) Program and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by FRS and HIS. The financial statements for FRS and HIS 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 revenues when due, pursuant to the statutory and contractual requirements.

Fund balance

The Company follows GASB Statement 54 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, 2018 of \$91,480 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, 2018 of \$3,816,681 is restricted by creditors for repayment of debt and federal regulation for food service. No portion of restricted fund balance is related to 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 are no committed funds as of June 30, 2018.

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 of assigned funds at June 30, 2018 is \$81,495.

Unassigned – This category is the residual classification for the Company's fund balance. The balance as of June 30, 2018 is \$12,573,762.

Deferred outflows, deferred inflows, and net position

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources

Bay Haven Charter Academy, Inc. Notes to Special-Purpose Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

GASB Statement 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/expenditures) 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 for the Company 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 special-purpose fund financial statements.

Subsequent events

Management of the Company has evaluated subsequent events through January 9, 2019, the date the financial statements were available to be issued.

Recently issued accounting pronouncements

The Governmental Accounting Standards Board (GASB) has issued statements that will become effective in the years 2018 through 2020. These statements address the following:

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of state and local governments.

GASB Statement 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]).

GASB Statement 86, *Certain Debt Extinguishment Issues*, improves the consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt.

GASB Statement 88 *Certain Disclosures Related to Debt Including Direct Borrowings and Direct Placements*, is issued to improve consistency in the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements, and to provide financial statement users with additional essential information about debt.

GASB Statement 89 *Accounting for Interest Cost Incurred Before the End of a Construction Period*, is issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for reporting period and to simplify accounting for certain interest costs.

The Company is currently evaluating the effects that these statements will have on its accounting and future special-purpose financial statements.

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 Company's general fund (\$16,563,418) on the governmental funds special-purpose balance sheet differs from the net position of governmental activities (\$13,603,505) reported in the special-purpose statement of net position. This difference results primarily from the long-term economic focus of the special-purpose statement of net position versus the current financial resources focus of the governmental funds special-purpose balance sheet. Details of this difference are as follows:

Other assets

Long-term assets related to utility deposits are not reported as fund assets. All assets are reported in the special-purpose statement of net position.

Utility deposits	\$ <u>11,426</u>
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Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

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

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 special-purpose statement of net position includes those capital assets of the Company as a whole.

Cost of capital assets	\$ 49,039,051
Accumulated depreciation	(9,623,540)
Capital assets net of accumulated depreciation	\$ 39,415,511

Long-term debt

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

Bonds payable	\$ 35,390,000
Capital lease payable	719,694
Accrued compensated absences	72,444
Net pension liability	10,583,951
Premium/discount on bonds payable	(477,614)
Total long-term liabilities	\$ 46,288,475

Interest on long-term liabilities

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

Interest payable	\$ 607,639
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Deferred inflows and outflows of resources for pension liabilities

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

Deferred outflows of resources	\$ 5,289,471
Deferred inflows of resources	(780,204)
Deferred inflows and outflows of resources for pensions	\$ 4,509,267

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

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

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

The special-purpose statements of activities and governmental funds 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 special-purpose statement of activities. One element of that reconciliation is governmental funds report capital outlays as expenditures. However, in the special-purpose 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	\$ 3,236,809
Donated assets	472,760
Depreciation expense	<u>(1,487,249)</u>
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 2,222,320</u>

Timing differences for revenue recognition of revenues, from the sale of assets in the prior year not received within 60 days, in the prior year, and recorded and reported as income in the general fund in the current year. The total amount of the sale was recognized as income in the prior year on the government-wide special-purpose statement of activities.

Revenues from collection of accounts receivable received after 60 days	<u>\$ (30,000)</u>
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Another element of that reconciliation is some expenses reported in the special-purpose 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	\$ 19,608
Pension expense	<u>767,017</u>
Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	<u>\$ 786,625</u>

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, 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 special- purpose statement of activities. The details of this difference are as follows:

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

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

Principal payments	\$	434,191
Amortization of bond premium/discount		(15,255)
Accrued interest		5,893
Net adjustment to increase net change in fund balance - total governmental funds to arrive at changes in net position of governmental activities	\$	424,829

NOTE 3: CASH AND INVESTMENTS

Deposits

The Company’s cash and cash equivalents include cash on hand, demand deposits, and short-term highly liquid debt instruments with original maturities of three months or less from the date of acquisition.

Custodial Credit Risk

Custodial credit risk on deposits is the risk that in the event of failure of the depository financial institution, the Company will not be able to recover its deposits. All cash resources of the Company are placed in banks which 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 to be determined by the State Treasurer. The State Treasurer is required to ensure that the Company’s funds 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.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Company will not be able to recover the value of an investment or collateral securities in the possession of an outside party. The Company’s investments are held by a Securities Investment Protection Corporation (SIPC) member which insures balances up to \$500,000 with a \$250,000 limit on cash.

Investments

The Company does not have an investment policy. Florida Statutes, Section 218.415, authorizes the schools 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

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 3: CASH AND INVESTMENTS (CONTINUED)

As of June 30, 2018, the Company's investment balance was \$3,377,200 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 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 ranging from 39 days to 115 days.

Interest Rate Risk

At June 30, 2018, the Company did not hold any investments that were considered to be an interest rate risk.

Credit Risk

As of June 30, 2018, the Company did not hold any investments that were considered to be a credit risk.

Concentration of Credit Risk

As of June 30, 2018, the Company had investments of \$2,877,200 which are uninsured. All cash deposits were collateralized through Florida's multiple institution collateralized pool.

NOTE 4: CAPITAL ASSETS

Capital assets balances and activity for the year ended June 30, 2018 are as follows:

	Balance June 30, 2017	Additions	Deletions	Transfers	Balance June 30, 2018
Land	\$ 2,612,870	\$ -	\$ -	\$ -	\$ 2,612,870
Buildings	29,958,337	2,639,357	-	5,982,006	38,579,700
Improvements	1,974,142	567,982	-	-	2,542,124
Furniture, fixtures and equipment	3,493,922	290,566	(61,539)	-	3,722,949
Computers	1,377,019	135,697	(56,345)	-	1,456,371
Construction in process	6,031,076	75,967	-	(5,982,006)	125,037
Total capital assets	<u>45,447,366</u>	<u>3,709,569</u>	<u>(117,884)</u>	<u>-</u>	<u>49,039,051</u>
Less accumulated depreciation					
Buildings	(4,947,035)	(927,360)	-	-	(5,874,395)
Furniture, fixtures and equipment	(1,438,871)	(267,678)	61,539	-	(1,645,010)
Computers	(1,097,250)	(152,635)	56,345	-	(1,193,540)
Improvements	(771,019)	(139,576)	-	-	(910,595)
Total accumulated depreciation	<u>(8,254,175)</u>	<u>(1,487,249)</u>	<u>117,884</u>	<u>-</u>	<u>(9,623,540)</u>
Capital assets, net of accumulated depreciation	<u>\$37,193,191</u>	<u>\$2,222,320</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$39,415,511</u>

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 4: CAPITAL ASSETS (CONTINUED)

The cost of capital assets acquired under capital lease is \$994,968, less accumulated depreciation of \$389,054, for a net carrying value of \$605,914 at June 30, 2018.

Depreciation expense of \$1,487,249 was charged to governmental activities in support services.

During the year ended June 30, 2018, the Foundation donated funds for the construction of the tennis courts and athletic fields for the benefit of the Company resulting in a \$456,969 donation to the Company for capital assets. In addition, the Company received a donation of \$15,791 to assist in the purchase of a boat, with a total cost of \$25,792, for a new educational program.

NOTE 5: SHORT-TERM DEBT

At fiscal year end, the Company 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 2018, has an interest rate of LIBOR plus 2.75%, which was 5.47% at June 30, 2018. The second line of credit, which matures in May 2019, has an interest rate 1% above the lender's prime rate, which was 5.75% at June 30, 2018, and is secured by a money market account with a balance of \$251,075. During the year, there were no proceeds or repayments on the lines of credit and the balance outstanding at June 30, 2018 was \$0.

NOTE 6: LONG-TERM DEBT

In 2004, Bay County issued \$11,600,000 Educational Facilities Revenue Bonds, series 2004 for Bay Haven Charter Academy, Inc. The bonds were issued for the purpose of: (i) paying the costs to acquire and construct a school facility and (ii) paying the costs and expenses related to the issuance of the bonds. The bonds bear interest at the Weekly Rate. Amortization is forecasted using an average interest rate of 4.5%. In 2010 Bay Haven Charter Academy, Inc. refinanced its outstanding bonds in the amount of \$11,755,000 at a rate starting at 3.5% increasing over the life of the bond to 6.0% that will need to be repaid or refinanced prior to September 1, 2040. 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 schools and any additional revenues generated by the operation of the schools or leasing of the schools. The remaining principal and interest payments on this debt as of June 30, 2018 total \$18,798,049. For the year ended June 30, 2018, principal and interest payments on the bond required 8% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were \$816,325 and \$9,754,103 respectively.

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

Future debt service requirements on the revenue bonds at June 30, 2018 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 230,000	\$ 584,512	\$ 814,512
2020	245,000	572,043	817,043
2021	260,000	558,788	818,788
2022	270,000	544,875	814,875
2023	285,000	530,306	815,306
2024-2028	1,685,000	2,402,681	4,087,681
2029-2033	2,195,000	1,889,044	4,084,044
2034-2038	2,955,000	1,138,350	4,093,350
2039-2041	2,245,000	207,450	2,452,450
Total	\$ 10,370,000	\$ 8,428,049	\$ 18,798,049

In 2004, the Company entered into a capital lease with Geo-Energy for a geothermal heating and air conditioning system. Monthly payments are \$10,414 for 240 months, which includes interest of 6%.

Future debt service requirements on the capital lease at June 30, 2018 are as follows:

Year ending June 30,	Principal	Interest	Total
2019	\$ 84,075	\$ 40,895	\$ 124,970
2020	89,261	35,709	124,970
2021	94,766	30,204	124,970
2022	100,611	24,359	124,970
2023	106,817	18,153	124,970
2024-2026	244,164	16,137	260,301
Total	\$ 719,694	\$ 165,457	\$ 885,151

In 2013, Bay County issued \$19,800,000 Educational Facilities Revenue Bonds, series 2013A and \$465,000 Taxable Educational Facilities Revenue Bonds, series 2013B for the Company. 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, (ii) refund the outstanding principal amount of a taxable land loan incurred by the 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. 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 schools and any additional revenues generated by the operation of the schools or leasing of the schools. The remaining principal and interest payments on this debt as of June 30, 2018 total

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

\$44,476,370. For the year ended June 30, 2018, principal and interest payments on the bond required 7% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were \$1,064,323 and \$15,209,667 respectively.

Future debt service requirements on the revenue bonds payable at June 30, 2018 are as follows:

Year ending June 30,	Principal	Interest	Amortization of Discounts	Total
2019	\$ 60,000	\$ 1,005,930	\$ (16,825)	\$ 1,049,105
2020	60,000	1,002,390	(16,825)	1,045,565
2021	65,000	998,703	(16,825)	1,046,878
2022	70,000	994,720	(16,825)	1,047,895
2023	75,000	990,577	(16,825)	1,048,752
2024-2028	780,000	4,869,050	(84,125)	5,564,925
2029-2033	1,370,000	4,583,250	(84,125)	5,869,125
2034-2038	1,735,000	4,196,375	(84,125)	5,847,250
2039-2043	3,960,000	3,617,500	(84,125)	7,493,375
2044-2048	8,010,000	2,020,000	(84,125)	9,945,875
2049	3,915,000	97,875	(16,809)	3,996,066
Total	\$ 20,100,000	\$ 24,376,370	\$ (521,559)	\$ 43,954,811

In 2016, Bay County issued \$5,000,000 Educational Facilities Revenue Bonds, series 2016 for the Company. The bonds were issued in order to: (i) finance, acquire and construct new facilities for the relocation of the North Bay Haven Charter Elementary School to the North Bay Haven Elementary Relocation Site, and (ii) fund a required deposit to the reserve account in the bond fund. The bonds bear interest at varying rates from 3.625% to 5% and the bonds are set to mature starting September 1, 2026 and the last bonds will mature September 1, 2046. The bonds are in parity with the Company's other bonds and 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 schools and any additional revenues generated by the operation of the schools or leasing of the schools. The remaining principal and interest payments on this debt as of June 30, 2018 total \$9,179,894. For the year ended June 30, 2018, principal and interest payments on the bond required 5% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were \$306,113 and \$6,062,671, respectively.

Future debt service requirements on the revenue bonds at June 30, 2018 are as follows:

Year ending June 30,	Principal	Interest	Amortization of Premiums	Total
2019	\$ 85,000	\$ 223,122	\$ 1,569	\$ 309,691
2020	85,000	220,041	1,569	306,610
2021	85,000	216,959	1,569	303,528

(Continued)

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 6: LONG-TERM DEBT (CONTINUED)

Year ending June 30,	Principal	Interest	Amortization of Premiums	Total
2022	\$ 95,000	\$ 213,697	\$ 1,569	\$ 310,266
2023	95,000	210,253	1,569	306,822
2024-2028	540,000	994,422	7,845	1,542,267
2029-2033	655,000	865,875	7,845	1,528,720
2034-2038	845,000	690,394	7,845	1,543,239
2039-2043	1,065,000	465,031	7,845	1,537,876
2044-2047	1,370,000	160,100	4,720	1,534,820
Total	\$ 4,920,000	\$ 4,259,894	\$ 43,945	\$ 9,223,839

NOTE 7: ACCRUED COMPENSATED ABSENCES

The Company's policy is to grant paid absences for vacation and sick leave. Employees should use vacation time in the benefit period in which it is earned. With supervisor approval, an employee may roll over vacation time to the next benefit period. This policy includes 240 hour maximum limit on hours rolled forward from year to year. All exempt twelve month employees are able to carryover and accrue up to a maximum of 40 hours of vacation time each year. After five years of service, upon termination of employment, these employees are eligible to receive pay for accrued unused vacation time. If an employee took more vacation time than they had accrued at the time of termination, the difference is taken out of their final paycheck. Teachers may buy back unused sick/personal days at the teacher's daily rate. Upon termination, any sick and personal time not used will be forfeited. As of June 30, 2018, the Company had \$107,885 in accrued compensated absences of which \$35,441 was estimated to be current and \$72,444 was long-term.

NOTE 8: DEFINED BENEFIT PENSION PLANS

Plan Description

The Company participates in two defined benefit pension plans that are administered by the State of Florida, Department of Management Services, Division of Retirement. The plans provide retirement, disability and death benefits to retirees or their designated beneficiaries. Chapter 121, Florida Statutes, establishes the authority for benefit provisions. Changes to the law can only occur through an act of the Florida Legislature. The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report may be obtained by writing to the Division of Retirement, PO Box 9000, Tallahassee, Florida, 32315-9000 or by calling (844) 377-1888.

The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. FRS was established and is administered in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 8: DEFINED BENEFIT PENSION PLANS (CONTINUED)

college, or district school board, unless restricted from FRS membership under Sections 121.053 or 121.122, Florida Statutes, or allowed to participate in a defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

The Retirees' Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. To be eligible to receive a HIS benefit, a retiree under a state administered retirement system must provide proof of eligible health insurance coverage, which can include Medicare.

Benefits Provided

Benefits under the FRS Pension 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 five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight 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 plan and/or class to which the member belonged when the service credit was earned.

Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to Section 112.363, Florida Statutes.

Contributions

The contribution requirements of plan members and the Company are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salary to FRS. The Company's contribution rates for the year ended June 30, 2018 were as follows:

	July 1, 2017 Through June 30, 2018	
	FRS	HIS
Regular class	6.26%	1.66%
Senior management	21.05%	1.66%
DROP plan participants	11.60%	1.66%

The Company's contributions for the year ended June 30, 2018, were \$652,969 to FRS and \$200,237 to HIS.

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 8: DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension Liabilities and Pension Expense

In its financial statements for the year ended June 30, 2018, the Company reported a liability for its proportionate shares of the net pension liabilities. The net pension liabilities were measured as of June 30, 2017, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2017. The Company's proportions of the net pension liabilities were based on the Company's share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

	FRS	HIS
Net pension liability	\$ 6,692,244	\$ 3,891,707
Proportion at:		
Current measurement date	0.022624730%	0.036396728%
Prior measurement date	0.022314399%	0.036481410%
Pension expense (benefit)	\$ 554,213	\$ 212,804

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2018, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ 614,187	\$ 37,072
Effect of assumptions changes or inputs	2,249,066	-
Net difference between projected and actual investment earnings	-	165,851
Changes in proportion and differences between contributions and proportionate share of contributions	457,289	155,397
Contributions subsequent to the measurement date	652,969	-
Total	\$ 3,973,511	\$ 358,320

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 8: DEFINED BENEFIT PENSION PLANS (CONTINUED)

	HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of economic/demographic gains or losses (difference between expected and actual experience)	\$ -	\$ 8,103
Effect of assumptions changes or inputs	547,040	336,520
Net difference between projected and actual investment earnings	2,158	-
Changes in proportion and differences between contributions and proportionate share of contributions	566,525	77,261
Contributions subsequent to the measurement date	200,237	-
Total	\$ 1,315,960	\$ 421,884

Measurement period ending June 30,	FRS Expense	HIS Expense
2018	\$ 438,389	\$ 180,450
2019	1,023,661	180,450
2020	722,155	180,450
2021	158,027	138,153
2022	457,364	60,378
Thereafter	162,626	(46,042)
Total	\$ 2,962,222	\$ 693,839

Actuarial Assumptions

The total pension liability for each of the defined benefit plans, measured as of June 30, 2017, was determined by an actuarial valuation dated July 1, 2017, 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	7.10%	N/A
Discount rate	7.10%	3.58%

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, 2017 were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 8: DEFINED BENEFIT PENSION PLANS (CONTINUED)

The following changes in key actuarial assumptions occurred in 2017:

FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.60% to 7.10%.

HIS: The municipal bond index rate and the discount rate used to determine the total pension liability increased from 2.85% to 3.58%.

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.

	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)	Long-term Expected Real Rate of Return (Geometric)
Cash	1%	3.0%	3.0%
Fixed income	18%	4.5%	4.4%
Global equity	53%	7.8%	6.6%
Real estate (property)	10%	6.6%	5.9%
Private equity	6%	11.5%	7.8%
Strategic investments	12%	6.1%	5.6%
	<u>100.0%</u>		

Discount Rate

The discount rate used to measure the total pension liability for FRS was 7.10%. 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 3.58% 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 Company's proportionate share of the net pension liability if the discount rate was 1% higher or 1% lower than the current discount rate.

Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 8: DEFINED BENEFIT PENSION PLANS (CONTINUED)

FRS Net Pension Liability			HIS Net Pension Liability		
Current			Current		
1 % Decrease	Discount Rate	1 % Increase	1 % Decrease	Discount Rate	1 % Increase
6.10%	7.10%	8.10%	2.58%	3.58%	4.58%
\$ 12,112,556	\$ 6,692,244	\$ 2,192,141	\$ 4,440,953	\$ 3,891,707	\$ 3,434,216

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, 2018, the Company reported no payable to either pension plan.

NOTE 9: DEFINED CONTRIBUTION PLAN

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (FRS Investment Plan), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan.

Changes to the law can only occur through an act of the Florida Legislature. The FRS Investment Plan is administered by the Florida State Board of Administration. Information about this plan can be obtained by writing to FRS Plan Administrator, P.O. Box 56290, Jacksonville, Florida 32241-6290 or by calling (866) 377-2121. The FRS Investment Plan is funded through employee and employer contributions. The employees contribute 3%. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the plan during the year ended.

The Company's contributions for the year ended June 30, 2018, were \$165,837 to FRS and \$43,976 to HIS.

NOTE 10: CAPITAL APPROPRIATIONS FUNDING

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the schools. 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 schools' allocation are transferred to the schools once a CSCO Plan has been provided to and approved by the sponsoring district. For the year ended June 30, 2018, the schools' CSCO award totaled \$576,303. CSCO funds of \$576,303 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



Bay Haven Charter Academy, Inc.
Notes to Special-Purpose Financial Statements

NOTE 10: CAPITAL APPROPRIATIONS FUNDING (CONTINUED)

interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreements, ownership of the assets would revert to the District.

NOTE 11: RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts, thefts of, or damage to, and destruction of assets and natural disasters. The Company has obtained property insurance from commercial companies. There have been no claims in excess of insurance coverage limits during the past three years. See subsequent events note 13.

NOTE 12: EXPENDITURES IN EXCESS OF BUDGET

For the year ended June 30, 2018, expenditures exceeded the budget by \$2,624,973 in the general fund, primarily due to the Company not budgeting capital outlay related to construction.

NOTE 13: SUBSEQUENT EVENTS

On October 10, 2018, the eye of Hurricane Michael, a category 4 hurricane, passed over Bay County, Florida causing devastating destruction and extensive property damage to buildings and businesses, including the schools, throughout the area. At the time of issuance of these financial statements the impact of the damages and their effects on the Company's financial statements cannot be determined.

REQUIRED SUPPLEMENTARY INFORMATION

Bay Haven Charter Academy, Inc.
Schedule of the Company's Proportionate Share of the Net Pension Liability –
Florida Retirement System
Last 10 Fiscal Years

June 30,	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *
Company's proportion of the net pension liability	0.0226247%	0.0223144%	0.0225878%	0.0194227%	N/A	N/A	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability	\$ 6,692,244	\$ 5,634,403	\$ 2,917,514	\$ 1,185,073	N/A	N/A	N/A	N/A	N/A	N/A
Company's covered-employee	\$ 9,462,681	\$ 9,258,844	\$ 8,597,055	\$ 7,314,985	N/A	N/A	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability as a percentage of its covered employee payroll	70.72%	60.85%	33.94%	16.20%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

Bay Haven Charter Academy, Inc.
Schedule of the Company's Contributions – Florida Retirement System
Last 10 Fiscal Years

Year ended June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Contractually required contribution	\$ 652,969	\$ 588,977	\$ 544,172	\$ 550,709	\$ 425,440	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(652,969)	(588,977)	(544,172)	(550,709)	(425,440)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
Company's covered employee payroll	\$ 9,451,262	\$ 9,462,681	\$ 9,258,844	\$ 8,597,055	\$ 7,314,985					
Contributions as a percentage of covered employee payroll	6.91%	6.22%	5.88%	6.41%	5.82%	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

Bay Haven Charter Academy, Inc.
Schedule of the Company's Proportionate Share of the Net Pension Liability –
Health Insurance Subsidy Program
Last 10 Fiscal Years

June 30,	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *	2008 *
Company's proportion of the net pension liability	0.0363967%	0.0364814%	0.0339923%	0.0297337%	N/A	N/A	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability	\$ 3,891,707	\$ 4,251,758	\$ 3,466,683	\$ 2,780,181	N/A	N/A	N/A	N/A	N/A	N/A
Company's covered-employee	\$ 9,462,681	\$ 9,258,844	\$ 8,597,055	\$ 7,314,985	N/A	N/A	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability as a percentage of its covered employee payroll	41.13%	45.92%	40.32%	38.01%	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A	N/A

* Disclosures for 2008 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

Bay Haven Charter Academy, Inc.
Schedule of the Company's Contributions –
Health Insurance Subsidy Program
Last 10 Fiscal Years

Year ended June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Contractually required contribution	\$ 200,237	\$ 192,622	\$ 186,990	\$ 119,015	\$ 101,858	N/A	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(200,237)	(192,622)	(186,990)	(119,015)	(101,858)	N/A	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -	\$ -	N/A	N/A	N/A	N/A	N/A
Company's covered employee payroll	\$ 9,451,262	\$ 9,462,681	\$ 9,258,844	\$ 8,597,055	\$ 7,314,985					
Contributions as a percentage of covered employee payroll	2.12%	2.04%	2.02%	1.38%	1.39%	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

SUPPLEMENTARY INFORMATION

Bay Haven Charter Academy, Inc.
Schedule of Revenues and Expenditures – General Fund (Management Format)
Year Ended June 30, 2018

Revenues	<u>Account</u>									<u>Total</u>
Federal sources	3100									\$ 50,404
Federal sources through state	3200									449,227
State sources	3300									22,340,436
Local sources	3400									2,029,873
Insurance recovery and sale of asset	3700									71,031
Total revenues										<u>24,940,971</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	\$ 8,605,169	\$ 1,931,557	\$ 36,719	\$ -	\$ 551,531	\$ 51,283	\$ 165,390		11,341,649
Exceptional instruction	5200	804,012	178,290	63,389	-	24,455	-	7,207		1,077,353
Pupil services	6100	495,190	118,512	4,031	-	30,632	-	-		648,365
Instructional media services	6200	34,874	12,136	-	-	14,343	-	65		61,418
Instruction staff training services services	6400	-	-	61,256	-	8,364	-	-		69,620
Instructional related technology	6500	-	-	-	-	124,279	125,048	-		249,327
Board services	7100	-	-	105,521	-	-	-	-		105,521
General administrative services	7200	750,004	299,819	18,815	-	47,299	502	89,870		1,206,309
School administrative services	7300	1,183,257	234,153	168,850	-	41,707	27,276	160,245		1,815,488
Facilities acquisition and construction	7400	-	-	-	-	-	2,870,694	-		2,870,694
Fiscal services	7500	-	-	6,229	-	19,397	-	-		25,626
Food services	7600	275,381	73,044	5,846	-	310,154	-	968		665,393
Pupil transportation services	7800	193,282	43,617	44,794	36,374	3,607	10,000	10,724		342,398
Operation of plant	7900	96,730	31,034	760,770	471,398	36,002	59,638	150		1,455,722
Maintenance of plant	8100	132,777	40,416	98,786	-	30,103	92,368	15,111		409,561
Community services	9100	202,836	40,779	22,661	-	28,038	-	1,768		296,082

(Continued)

See independent auditors' report

Schedule of Revenues and Expenditures – General Fund (Management Format) (Continued)
 Year Ended June 30, 2018

Account	100 Employee Salaries	200 Employee Benefits	300 Purchased Services	400 Energy Services	500 Materials & Supplies	600 Capital Outlay	700 Other Expenditures	Total
Debt service								
9200								
Redemption of principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 434,191	\$ 434,191
Interest	-	-	-	-	-	-	1,877,537	1,877,537
Total expenditures	<u>\$ 12,773,512</u>	<u>\$ 3,003,357</u>	<u>\$ 1,397,667</u>	<u>\$ 507,772</u>	<u>\$ 1,269,911</u>	<u>\$ 3,236,809</u>	<u>\$ 2,763,226</u>	<u>24,952,254</u>
Net change in fund balance								<u>\$ (11,283)</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 special-purpose financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of Bay Haven Charter Academy, Inc. (Company), as of and for the year ended June 30, 2018, and the related notes to special-purpose financial statements, which collectively comprise the Company's special-purpose financial statements and have issued our report thereon dated January 9, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the special-purpose financial statements, we considered the Company'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 special-purpose financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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 were not identified. We did identify certain deficiencies in internal controls that we consider to be a material weakness and a significant deficiency.

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. We consider the deficiency described below to be a material weakness.

2018-001 – Adjustments to Financial Statements (Prior years 2017-001 and 2016-001) (Initially reported in 2007)

Condition: Adjustments to the financial records had to be proposed by the auditors in order for the special-purpose financial statements to conform to generally accepted accounting principles (GAAP).

Effect: The special-purpose financial statements are not in conformity with GAAP prior to adjustment.

Cause: Management relies on auditors to propose entries based on audit procedures.

Criteria: The requirement is for the Company to be able to prepare the special-purpose financial statements in accordance with GAAP.

Recommendation: While we realize it would not be financially feasible to implement procedures necessary to eliminate all proposed adjustments, we recommend striving to reduce the number of adjustments needed as much as possible.

Views of Responsible Officials and Planned Corrective Action: Management has considered the above material weakness in the Company's internal control and believes the costs required to correct this finding fully would outweigh the benefits derived from implementing corrective action.

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. We consider the deficiencies described below to be a significant deficiencies.

2018-002 – Dual Signatures Not Present on Certain Check Disbursements (Initially reported in 2018)

Condition: The Company did not always follow its policy of requiring dual signatures to be present on all disbursements from the cash accounts.

Effect: Not having dual signatures on disbursements is a violation of school policy and increases the possibility of undetected errors or irregularities.

Cause: The Company neglected to obtain dual signatures when disbursements were made on certain disbursements chosen for testing.

Criteria: Dual signatures are required by school policy.

Recommendation: The Company should ensure that all disbursements from cash accounts are signed by two authorized signatories in accordance with their policy.

Views of Responsible Officials and Planned Corrective Action: It is our belief that disbursements during the year normally had the dual signatures as required, but we acknowledge that the policy was not followed on every disbursement. We will be implementing controls to prevent checks from being mailed out without the required dual signatures in the future.

2018-003 – Segregation of Duties (Prior year 2017-002) (Initially reported in 2017)

Condition: The Company does not have proper segregation of duties in the area of employees' access within the accounting software due to limited staff and the need to cross train staff in the event of absences. Mitigating controls have been implemented to reduce risks related to the lack of proper segregation.

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

Cause: The Company has limited staff available which can lead to certain incompatible duties being performed by one person. The Company has considered the costs of hiring additional staff to

achieve proper 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 transactions are handled appropriately.

Recommendation: The Company 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 staff and resources of the Company. 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. We are continually looking for opportunities to implement mitigating controls and are providing additional oversight in order to reduce the risks caused by the lack of segregation of duties.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's special-purpose 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 Responses 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 special-purpose 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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
January 9, 2019

INDEPENDENT AUDITORS’ MANAGEMENT LETTER

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

Report on the Special-Purpose Financial Statements

We have audited the special-purpose financial statements of Bay Haven Charter Academy, Inc. (Company), a component unit of Bay County District School Board, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 9, 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 January 9, 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 not taken to address the finding made in the preceding annual financial audit report:

Tabulation of Uncorrected Audit Findings		
Current Year Finding No.	2016-17 FY Finding No.	2015-16 FY Finding No.
2018-001	2017-001	2016-001
2018-003	2017-002	N/A

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity be disclosed in this management letter. The official title of the entity is Bay Haven Charter Academy, Inc.

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 Company 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 Company 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 Company. It is management's responsibility to monitor the Company'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 Company maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Company 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 special-purpose 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
January 9, 2019