Bay Haven Charter Academy, Inc.

Financial Statements

June 30, 2019

Table of Contents

Independent Auditors' Report	1
Management's Discussion and Analysis	4
Financial Statements	
Statement of net position	10
Statement of activities	11
Balance sheet – governmental fund	12
Statement of revenues, expenditures and changes in fund balance – governmental fund	13
Reconciliation of the governmental fund statement of revenues, expenditures and changes in fund balance to the statement of activities	15
Statement of revenues and expenditures – budget and actual – general fund	16
Notes to financial statements	17
Required Supplementary Information	
Schedule of the Company's proportionate share of the net pension liability – Florida Retirement System	43
Schedule of the Company's contributions – Florida Retirement System	44
Schedule of the Company's proportionate share of the net pension liability – Health Insurance Subsidy Program	45
Schedule of the Company's contributions – Health Insurance Subsidy Program	46
Supplementary Information	
Schedule of revenues and expenditures – general fund (management format)	47
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*	49

Table of Contents

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance	51
Schedule of Expenditures of Federal Awards	53
Schedule of Findings and Questioned Costs	54
Summary of Prior Year Audit Findings	58
Corrective Action Plan	59

CRI CARR RIGGS & INGRAM
CPAs and Advisors

Carr, Riggs & Ingram, LLC
14101 Panama City Beach Parkway
Suite 200
Panama City Beach, FL 32413

(850) 784-6733
(850) 784-4866 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of Bay Haven Charter Academy, Inc. (Company), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Company's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages 4 through 9, the schedule of the Company's proportionate share of the net pension liability – Florida Retirement System on page 43, the schedule of the Company's contributions – Florida Retirement System on page 44, the schedule of the Company's proportionate share of the net pension liability – Health Insurance Subsidy Program on page 45, and the schedule of the Company's contributions – Health Insurance Subsidy Program on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Company's basic financial statements. The schedule of revenues and expenditures – general fund (management format) on page 47 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The schedule of revenues and expenditures – general fund (management format) and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues and expenditures – general fund (management format) and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2019, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

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

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

Management's Discussion and Analysis

Management's discussion and analysis provides an easily readable analysis of 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 $16,988,903 (total net position). Of this amount, $7,180,442 is unrestricted net position for governmental activities. Total net position includes $6,140,973 net investment in capital assets in the governmental activities.

- Total net position increased by $3,385,398 during the year ended June 30, 2019.

- As of June 30, 2019, the general fund unassigned fund balance was $13,939,799 or 53% of total general fund expenditures for the year.

- Governmental activities' revenues increased 5% to $26,621,276, while governmental activities' expenses increased 2% to $24,123,604.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Company's basic financial statements. The Company's basic financial statements are comprised of three components: 1) *government-wide financial statements,* 2) *fund financial statements,* and 3) *notes to financial statements.* The g*overnment-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 g*overnment-wide financial statements* include the *statement of net position* and *statement of activities*. These statements are designed to provide readers with a broad overview of the 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 *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*. Increases or decreases in net position over time may serve as a useful indicator of the Company's improving or declining financial position.

The *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 *fund financial statements* include: governmental funds.

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 the governmental fund includes 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 *government-wide financial statements* and the *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. The government-wide financial 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 statement of net position**,** as well as all liabilities and deferred inflows of resources, including outstanding principal on bonds and other long-term debt. The statement of activities includes depreciation on all long lived assets of the Company. The *fund financial statements* provide a presentation of the Company's major fund. In the case of governmental funds, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are included as other financing sources in the fund financial statements in the year the liabilities are incurred. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

Notes to financial statements provide additional detail concerning the financial activities and financial balances of the 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 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 2019, 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

June 30,		**2019**		**2018**
Current and other assets	$	22,698,618	$	17,165,705
Capital assets, net		38,939,688		39,415,511
Total assets		61,638,306		56,581,216
Deferred outflows of resources		5,124,971		5,289,471
Current liabilities		2,452,109		1,163,062
Noncurrent liabilities		46,121,538		46,323,916
Total liabilities		48,573,647		47,486,978
Deferred inflows of resources		1,200,727		780,204
Net position				
Net investment in capital assets		6,140,973		6,198,020
Restricted		3,667,488		796,358
Unrestricted		7,180,442		6,609,127
Total net position	$	16,988,903	$	13,603,505

Net investment in capital assets (e.g., land, buildings, and equipment), net of related outstanding debt used to acquire those assets, represents 36% of the Company's net position. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. It should be noted, that although the 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, $3,667,488 (22%), represents resources that are subject to restrictions on how they may be used. The balance of *unrestricted net position* $7,180,442 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

Year Ended June 30,		**2019**		**2018**
Revenues				
Intergovernmental	$	24,034,074	$	22,390,840
Charges for services		1,358,026		1,590,702
Operating contributions and grants		789,649		449,227
Other revenue from local sources		163,667		227,804
Donations		82,485		573,342
Miscellaneous		95,583		103,962
Interest income		97,792		47,853
Total revenues		26,621,276		25,383,730
Expenses				
Instructional services		13,102,266		12,990,196
Support services		7,571,201		7,200,149
Depreciation		1,586,659		1,487,249
Interest		1,863,478		1,886,896
Total expenses		24,123,604		23,564,490
Increase in net position before extraordinary item		2,497,672		1,819,240
Extraordinary item		887,726		-
Increase in net position	$	3,385,398	$	1,819,240

For the year ended June 30, 2019, governmental activities' revenues and extraordinary item exceeded expenses by $3,385,398. Total revenues increased $1,237,546 over the previous year. Revenues increased primarily as a result of an increase in revenue from Bay County District School Board and the Child Nutrition Cluster grant. Total expenses increased $559,114 from the previous year.

Intergovernmental receipts generated 90% of the revenues for governmental activities. Most of the governmental resources were expended for instructional services (54%) 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, 2019, total assets were $22,687,192 and total liabilities were $1,882,962. At the end of fiscal year 2019, unassigned fund balance of the general fund was $13,939,799.

Analysis of General Fund Budget Variations

For the year ended June 30, 2019, the general fund expenditures exceeded the final budget by approximately 7% due to unbudgeted increases in capital outlay. Revenues, including other financing sources, exceeded the final budget by 21% mainly due to insurance recoveries related to hurricane repairs and an unanticipated increase in intergovernmental revenues.

Capital Assets Activity

The following schedule provides a summary of the Company's capital assets. The Company's total investment in capital assets as of June 30, 2019, was $38,939,688 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, computers, and furniture, fixtures and equipment.

Capital Assets
(Net of Accumulated Depreciation)
Governmental Activities

June 30,		**2019**		**2018**
Land	$	2,612,870	$	2,612,870
Construction in progress		1,326,497		125,037
Buildings		29,505,837		32,705,305
Improvements		2,815,355		1,631,529
Computers		560,573		262,831
Furniture, fixtures and equipment		2,118,556		2,077,939
Total	$	38,939,688	$	39,415,511

Additional information about the Company's capital assets can be found in note 4 – capital assets of the notes to financial statements.

Debt Management

At the end of fiscal year 2019, the Company had total bond debt outstanding in the amount of $35,015,000, which is shown on the financial statements net of $462,362 in premiums and discounts.

Outstanding Bond Debt Payable
Governmental Activities

June 30,		2019		2018
Revenue bonds payable	$	34,552,638	$	34,912,386

At the end of fiscal year 2019, the Company had total debt outstanding for a capital lease in the amount of $635,620.

Outstanding Capital Lease Payable
Governmental Activities

June 30,		2019		2018
Capital lease payable	$	635,620	$	719,694

More detail on the Company's liabilities is presented in notes 5, 6, and 7 of the notes to financial statements.

Economic Factors and Next Year's Budget

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

- Continued curriculum content development and related IT support
- Increased salary and benefit costs due to higher salaries, rising insurance rates, and additional staff
- Increase in capital expenditures following Hurricane Michael to include building and furniture, fixtures and equipment
- Increased plant operations and maintenance due to Hurricane Michael
- Increased student enrollment for Bay Haven Charter Academy Elementary School
- Project costs for new athletic facilities for North Bay Haven Charter Career Academy

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.
Statement of Net Position
June 30, 2019

	Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	$ 16,329,375	$ 160,050
Investments	2,467,831	-
Restricted investments	3,356,015	-
Accounts receivable, net	445,106	-
Prepaids	79,804	-
Inventory	9,061	-
Other assets	11,426	-
Capital assets, net	38,939,688	-
Total assets	61,638,306	160,050
Deferred outflows of resources - pensions	5,124,971	-
Total assets and deferred outflows of resources	66,763,277	160,050
Liabilities		
Accounts payable and accrued expenses	1,775,580	-
Accrued salaries and benefits	31,764	-
Unearned revenue	43,360	-
Interest payable	601,405	-
Long-term liabilities		
Due within one year		
Capital lease, current portion	89,261	-
Accrued compensated absences, current portion	32,258	-
Revenue bonds, current portion	390,000	-
Due in more than one year		
Capital lease, net of current portion	546,359	-
Accrued compensated absences, net of current portion	91,813	-
Net pension liability	10,809,209	-
Revenue bonds, net of current portion and discount/premium	34,162,638	-
Total liabilities	48,573,647	-
Deferred inflows of resources - pensions	1,200,727	-
Total liabilities and deferred inflows of resources	49,774,374	-
Net position		
Net investment in capital assets	6,140,973	-
Restricted	3,667,488	160,050
Unrestricted	7,180,442	-
Total net position	$ 16,988,903	$ 160,050

See accompanying notes

Bay Haven Charter Academy, Inc.
Statement of Activities
Year Ended June 30, 2019

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Primary Government – Governmental Activities	Net (Expenses) Revenues and Changes in Net Position: Component Unit
Governmental activities						
Instructional services	$ 13,102,266	$ 564,648	$ -	$ -	$ (12,537,618)	$ -
Support services	7,571,201	793,378	789,649	-	(5,988,174)	-
Depreciation - unallocated	1,586,659	-	-	-	(1,586,659)	-
Interest on long-term debt	1,863,478	-	-	-	(1,863,478)	-
Total primary government	$ 24,123,604	$ 1,358,026	$ 789,649	$ -	(21,975,929)	-
Total component unit	$ 43,945	$ -	$ -	$ -	-	(43,945)

	Primary Government – Governmental Activities	Component Unit
General revenues		
Intergovernmental revenue	24,034,074	-
Other revenue from local sources	163,667	-
Donations	82,485	9,737
Miscellaneous	95,583	-
Total general revenues	24,375,809	9,737
Interest income	97,792	88
Total general revenues and interest	24,473,601	9,825
Increase in net position before extraordinary item	2,497,672	(34,120)
Extraordinary item	887,726	-
Change in net position	3,385,398	(34,120)
Net position - beginning	13,603,505	194,170
Net position - ending	$ 16,988,903	$ 160,050

See accompanying notes

Bay Haven Charter Academy, Inc.
Balance Sheet – Governmental Fund
June 30, 2019

	General Fund
Assets	
Cash and cash equivalents	$ 16,329,375
Investments	2,467,831
Restricted investments	3,356,015
Accounts receivable, net	445,106
Prepaids	79,804
Inventory	9,061
Total assets	22,687,192
Liabilities	
Accounts payable and accrued expenses	1,775,580
Accrued salaries and benefits	31,764
Accrued compensated absences, current portion	32,258
Unearned revenue	43,360
Total liabilities	1,882,962
Fund balance	
Nonspendable	88,865
Restricted	6,658,436
Assigned	117,130
Unassigned	13,939,799
Total fund balance	20,804,230
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.	38,951,114
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.	3,924,244
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.	(46,690,685)
Net position of governmental activities	$ 16,988,903

See accompanying notes

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2019

	General Fund
Revenues	
Intergovernmental	$ 24,823,723
Charges for services	564,648
Before and aftercare fees	496,934
Lunchroom fees	296,444
Other revenue from local sources	163,667
Donations	82,485
Interest	97,792
Miscellaneous	95,583
Total revenues	26,621,276
Expenditures	
Instructional	
Regular instruction	11,505,964
Exceptional instruction	1,009,634
Support services	
Pupil services	674,084
Instructional media services	43,299
Instructional staff training services	114,090
Instructional related technology	105,285
Board services	110,292
General administrative services	1,219,606
Facilities acquisition and construction	147,803
School administrative services	1,794,329
Fiscal services	24,210
Food services	747,398
Pupil transportation services	367,283
Plant operations	1,312,062
Maintenance services	366,429
Community services	302,052
Capital outlay	
Site, building and equipment	3,899,472
Debt service	
Principal and interest	2,313,534
Total expenditures	26,056,826

(Continued)

See accompanying notes

Bay Haven Charter Academy, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund (Continued)
Year Ended June 30, 2019

	General Fund
Excess of revenues over expenditures	$ 564,450
Other financing sources	
Insurance recoveries	3,676,362
Total other financing sources	3,676,362
Net change in fund balance	4,240,812
Fund balance	
Beginning of year	16,563,418
End of year	$ 20,804,230

See accompanying notes

Amounts reported for governmental activities in the statement of activities are different because:	
Net change in fund balance - total governmental fund (page 14)	$ 4,240,812
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,312,813
The net effect of miscellaneous noncash transactions involving capital assets (e.g. sales, trade-ins, adjustments, donations, and impairments) is to decrease net position.	(2,788,636)
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 statement of actitivites. This amount is the net effect of these differences in the treatment of long-term debt and related items.	450,056
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds (i.e. compensated absences and pension expense).	(829,647)
Change in net position of governmental activities (page 11)	$ 3,385,398

See accompanying notes

Bay Haven Charter Academy, Inc.
Statement of Revenues and Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 23,057,338	$ 23,106,535	$ 24,823,723	$ 1,717,188
Charges for services	609,613	609,613	564,648	(44,965)
Before and aftercare fees	517,396	517,396	496,934	(20,462)
Lunchroom fees	498,885	498,885	296,444	(202,441)
Other revenue from local sources	196,826	196,826	163,667	(33,159)
Donations	8,864	8,864	82,485	73,621
Interest	15,271	15,271	97,792	82,521
Miscellaneous	50,554	50,554	95,583	45,029
Total revenues	24,954,747	25,003,944	26,621,276	1,617,332
Expenditures				
Instructional	13,457,180	13,457,180	12,515,598	941,582
Support services	7,239,052	7,289,550	7,328,222	(38,672)
Capital outlay	1,236,633	1,236,633	3,899,472	(2,662,839)
Debt service	2,319,802	2,319,802	2,313,534	6,268
Total expenditures	24,252,667	24,303,165	26,056,826	(1,753,661)
Excess (deficit) of revenues over (under) expenditures	702,080	700,779	564,450	(136,329)
Other financing sources (uses)				
Insurance recoveries	-	-	3,676,362	3,676,362
Total other financing sources (uses)	-	-	3,676,362	3,676,362
Net change in fund balance	$ 702,080	$ 700,779	$ 4,240,812	$ 3,540,033

See accompanying notes

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

Bay Haven Charter Academy, Inc. (Company), 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 Bay County District School Board (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

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. The schools are component units of the District.

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 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 financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; and, (3) the economic resources received or held by an individual organization that the specific primary government, or its component units, are entitled to, or have the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each discretely presented

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. The Company has one component unit as defined by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34* or in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be included in these financial statements.

The Bay Haven Charter Academy Foundation, Inc. (Foundation) was formed as an educational support organization to solicit tax deductible contributions for construction of the school building and subsequent capital outlay projects for Bay Haven Charter Academy, Inc. The Foundation is operated solely for the benefit of the Schools. The Foundation is presented as a governmental fund type with fiscal year end of June 30. Due to the nature and significance of the Foundation's relationship with the Company, exclusion of the Foundation's financial operations would render the Company's financial statements incomplete or misleading. 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 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 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.

The governmental fund is 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:

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-wide financial statements

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Encumbrances

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

Cash and cash equivalents

The 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 acquisition value on the date received. Estimated useful life is management's estimate of how long the assets are expected to meet service demands, and ranges typically from three to ten years for computers, furniture, fixtures, and equipment and from ten to forty years for buildings and improvements. Amortization expense on capitalized leased assets is included in depreciation expense.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Eliminations

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

Revenue sources

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounts receivable

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

Amortization

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

Income taxes

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 financial statements. The Company has no unrelated business income for the year ended June 30, 2019. The Company's federal income tax returns for fiscal years 2016, 2017, and 2018 are subject to examination by the Internal Revenue Service. Tax returns are generally subject to examination for three years after they are filed.

Use of estimates

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

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 (Plan) and the Retirees' Health Insurance Subsidy Program (HIS) and additions to/deductions from their fiduciary net position have been determined on

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

the same basis as they are reported by the plans. The financial statements for the plans are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with GAAP. Contributions are recognized as revenue when due, pursuant to the statutory and contractual requirements.

Fund balance

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

Nonspendable – This category includes the resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The balance as of June 30, 2019 of $88,865 is from prepaids and inventory which are not in spendable form.

Restricted – This category includes resources restricted by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. The balance as of June 30, 2019 of $6,658,436 is restricted by creditors for repayment of debt and federal regulation for food service. The balance as of June 30, 2019 of $834,590 is restricted by enabling legislation.

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

Assigned – This category includes resources that are intended to be used for specific purposes, but are neither restricted nor committed. These are resources that have been set aside for specific purposes by an authorized government body or official. The balance as of June 30, 2019 is $117,130.

Unassigned – This category is the residual classification for the Company’s fund balance. The balance as of June 30, 2019 is $13,939,799.

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as outflows of resources (expenses) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as inflows of resources (revenues) until that time.

Budget

An operating budget is adopted and maintained by the governing board of the 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 fund financial statements.

Subsequent events

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

Recently issued accounting pronouncements

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the lease. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

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

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

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

The total fund balance of the Company's general fund ($20,804,230) on the governmental fund balance sheet differs from the net position of governmental activities ($16,988,903) reported in the statement of net position. This difference results primarily from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet. Details of this difference are as follows:

Other assets

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

Utility deposits	$ 11,426

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 statement of net position includes those capital assets of the Company.

Cost of capital assets	$	49,313,141
Accumulated depreciation		(10,373,453)
Capital assets, net of accumulated depreciation	$	38,939,688

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 statement of net position.

Bonds payable	$	35,015,000
Capital lease payable		635,620
Accrued compensated absences		91,813
Net pension liability		10,809,209
Premium/discount on bonds payable		(462,362)
Total long-term liabilities	$	46,089,280

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 statement of net position.

Interest payable	$	601,405

Deferred inflows and outflows for the pension liability

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

Deferred outflows of resources	$	5,124,971
Deferred inflows of resources		(1,200,727)
Deferred inflows and outflows of resources for pensions	$	3,924,244

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

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

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

Capital outlay	$ 3,899,472
Depreciation expense	(1,586,659)
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	$ 2,312,813

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

Compensated absences	$ 19,369
Pension expense	810,278
Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	$ 829,647

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

Impairment of capital assets	$ 2,788,636
Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	$ 2,788,636

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

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

Principal payments	$	459,075
Amortization of bond premium/discount		(15,253)
Change in accrued interest		6,234
Net adjustment to increase net change in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	450,056

NOTE 3 – CASH AND INVESTMENTS

Deposits

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

Custodial credit risk

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

Custodial credit risk on investments is the risk that, in the event of the failure of a counterparty to a transaction, the Company will not be able to recover the value of an investment or collateralized securities in the possession of an outside party. The Company's investments are held by a Securities Investor Protection Corporation (SIPC) member which insures balances up to $500,000 with a $250,000 limit on cash. The Company has invested $5,823,846 with one brokerage firm. Of this amount, $5,323,846 is uninsured.

Investments

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

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02
- Direct obligations of the U.S. Treasury

As of June 30, 2019, the Company's investment balance was $5,823,846 which consists of investments in government money market funds as defined by Rule 2a-7. The investments consist of shares owned in the fund rather than in the underlying investments. In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, these amounts are reported at amortized cost. The credit rating of the investments is AAAm with a weighted average maturity of 34 days.

Interest rate risk

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

Credit risk

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

Concentration of credit risk

As of June 30, 2019, the Company had investments of $5,323,845 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, 2019 are as follows:

	Balance June 30, 2018	Additions	Impairments/ Deletions	Transfers	Balance June 30, 2019
Land	$ 2,612,870	$ -	$ -	$ -	$ 2,612,870
Buildings	38,579,700	323,325	(3,352,271)	56,578	35,607,332
Improvements	2,542,124	1,349,300	(149,395)	112,453	3,854,482
Furniture, fixtures and equipment	3,722,949	405,016	(62,268)	(44,000)	4,021,697
Computers	1,456,371	495,340	(61,448)	-	1,890,263
Construction in process	125,037	1,326,491	-	(125,031)	1,326,497
Total capital assets	49,039,051	3,899,472	(3,625,382)	-	49,313,141

(Continued)

NOTE 4 – CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2018	Additions	Impairments/ Deletions	Transfers	Balance June 30, 2019
Less accumulated depreciation					
Buildings	$ (5,874,395)	$ (906,079)	$ 684,622	$ (5,643)	$ (6,101,495)
Furniture, fixtures and equipment	(1,645,010)	(290,135)	32,277	(273)	(1,903,141)
Computers	(1,193,540)	(197,312)	61,162	-	(1,329,690)
Improvements	(910,595)	(193,133)	58,685	5,916	(1,039,127)
Total accumulated depreciation	(9,623,540)	(1,586,659)	836,746	-	(10,373,453)
Capital assets, net of accumulated depreciation	$ 39,415,511	$ 2,312,813	$ (2,788,636)	$ -	$ 38,939,688

The cost of capital assets acquired under capital lease is $994,968, less accumulated depreciation of $411,222, for a net carrying value of $583,746 at June 30, 2019.

Depreciation expense of $1,586,659 was charged to governmental activities. Depreciation expense was not allocated to specific functions as their capital assets essentially serve all functions.

See note 14 for further information on impairments during the year.

NOTE 5 – SHORT-TERM DEBT

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

NOTE 6 – LONG-TERM DEBT

On July 1, 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%.

On September 14, 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 matures September 1, 2040. The bonds are secured by a lien on the land on which the schools sit and all assets

NOTE 6 – LONG-TERM DEBT (CONTINUED)

thereon and a pledge of all capital funds and charter school operating funds appropriated each year to the District for operation of the Company 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, 2019 total $17,983,537. For the year ended June 30, 2019, principal and interest payments on the bond required 8% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were $814,512 and $10,191,539 respectively.

Future debt service requirements on the revenue bonds at June 30, 2019 are as follows:

Year ending June 30,	Principal	Interest	Total
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	300,000	514,950	814,950
2025-2029	1,780,000	2,311,725	4,091,725
2030-2034	2,320,000	1,761,450	4,081,450
2035-2039	3,140,000	955,500	4,095,500
2040-2041	1,540,000	93,900	1,633,900
Total	$ 10,140,000	$ 7,843,537	$ 17,983,537

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, 2019 are as follows:

Year ending June 30,	Principal	Interest	Total
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	113,405	11,565	124,970
2025-2026	130,760	4,574	135,334
Total	$ 635,620	$ 124,564	$ 760,184

On April 17, 2013, Bay County issued $19,800,000 Educational Facilities Revenue Bonds, series 2013A and $465,000 Taxable Educational Facilities Revenue Bonds, series 2013B for Bay Haven Charter Academy, Inc. The bonds were issued in order to: (i) finance, acquire and construct new facilities for the North Bay Haven Charter Middle School and the North Bay Haven Charter Career Academy (the "North Bay Haven Relocation Project"), (ii) refund the outstanding principal amount of a taxable land loan incurred by the Company with Branch Banking and Trust Company for purposes of financing the related land acquisition, (iii) fund general working capital needs of the Company, (iv) fund the reserve requirement to the reserve account in the bond

NOTE 6 – LONG-TERM DEBT (CONTINUED)

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 the Company's debt as of June 30, 2019 total $43,411,440. For the year ended June 30, 2019, principal and interest payments on the bond required 6% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were $1,065,930 and $16,452,537 respectively.

Future debt service requirements on the revenue bonds payable at June 30, 2019 are as follows:

Year ending June 30,	Principal	Interest	Amortization of Discounts	Total
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	80,000	988,500	(16,825)	1,051,675
2025-2029	945,000	4,823,925	(84,125)	5,684,800
2030-2034	1,440,000	4,513,000	(84,125)	5,868,875
2035-2039	1,825,000	4,108,375	(84,125)	5,849,250
2040-2044	5,000,000	3,393,500	(84,125)	8,309,375
2045-2049	10,480,000	1,557,750	(84,125)	11,953,625
Total	$ 20,040,000	$ 23,371,440	$ (504,750)	$ 42,906,690

On October 1, 2016, Bay County issued $5,000,000 Educational Facilities Revenue Bonds, series 2016 for Bay Haven Charter Academy, Inc. 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 (the "North Bay Haven Elementary Relocation Project"), 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, 2019 total $8,871,772. For the year ended June 30, 2019, principal and interest payments on the bond were 5% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were $308,121 and $6,272,112, respectively.

NOTE 6 – LONG-TERM DEBT (CONTINUED)

Future debt service requirements on the revenue bonds at June 30, 2019 are as follows:

Year ending June 30,	Principal	Interest	Amortization of Premiums	Total
2020	$ 85,000	$ 220,041	$ 1,569	$ 306,610
2021	85,000	216,959	1,569	303,528
2022	95,000	213,697	1,569	310,266
2023	95,000	210,253	1,569	306,822
2024	100,000	206,719	1,569	308,288
2025-2029	560,000	972,753	7,845	1,540,598
2030-2034	690,000	834,500	7,845	1,532,345
2035-2039	880,000	649,575	7,845	1,537,420
2040-2044	1,120,000	412,844	7,845	1,540,689
2045-2047	1,125,000	99,431	3,163	1,227,594
Total	$ 4,835,000	$ 4,036,772	$ 42,388	$ 8,914,160

NOTE 7 – ACCRUED COMPENSATED ABSENCES

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

- Twelve-month employees: All exempt twelve-month employees are able to carryover and accrue up to a maximum of 40 hours of current year vacation time each year. If the employee has been employed by the Company at least five years they may sell back their unused vacation time over the maximum allowed rollover hours for that particular benefit period. No employee is permitted to carry over more than 240 accrued hours of vacation to the next benefit period. After five years of service, upon termination of employment, these employees are eligible to receive pay for accrued unused vacation time.

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

As of June 30, 2019, the Company had $124,071 in accrued compensated absences, of which $32,258 was estimated to be current and $91,813 was long-term.

NOTE 8 – DEFINED BENEFIT PENSION PLANS

General information

The Florida Retirement System (FRS) was created pursuant to Chapter 121, Florida Statutes, in order to provide a defined benefit pension plan for participating public employees. FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan (the FRS Investment Plan) alternative to the defined benefit plan for FRS members. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of state-administered retirement systems in paying health insurance costs.

Essentially all regular employees of the Company are eligible to enroll as members of the state-administered FRS. Provisions relating to FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of FRS, which includes its financial statements, required supplementary information, actuarial reports, and other relevant information, is available from the Florida Department of Management Services web site (www.dms.myflorida.com).

Florida Retirement System Pension Plan

Plan description

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

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

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 60 or at any age after 30 years of service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

The DROP program, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits provided

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

Class, initial enrollment, and retirement age/years of service	Percent Value
Regular members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Health Insurance Subsidy Program

Plan description

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

Benefits provided

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

Contributions

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

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

Notes:

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

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

The Company’s contributions for the year ended June 30, 2018, were $689,339 to FRS and $202,006 to HIS.

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

Pension liabilities and pension expense

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

Year ended June 30, 2019	FRS	HIS
Net pension liability	$ 6,901,168	$ 3,908,041
Proportion at:		
Current measurement date	0.022911846%	0.036923648%
Prior measurement date	0.022624730%	0.036396728%
Pension expense	$ 1,286,392	$ 415,232

Deferred outflows/inflows of resources related to pensions

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

	FRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Effect of economic/demographic gains or losses (difference between expected and actual experience)	$ 584,633	$ 21,219
Effect of assumptions changes or inputs	2,254,966	-
Net difference between projected and actual investment earnings	-	533,199
Changes in proportion and differences between contributions and proportionate share of contributions	390,882	138,341
Contributions subsequent to the measurement date	689,339	-
Total	$ 3,919,820	$ 692,759

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)	$ 59,830	$ 6,640
Effect of assumptions changes or inputs	434,622	413,191
Net difference between projected and actual investment earnings	2,359	-
Changes in proportion and differences between contributions and proportionate share of contributions	506,334	88,137
Contributions subsequent to the measurement date	202,006	-
Total	$ 1,205,151	$ 507,968

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

Measurement period ending June 30,	FRS Expense	HIS Expense
2018	$ 985,920	$ 178,210
2019	695,906	178,011
2020	117,258	136,040
2021	415,446	57,811
2022	280,033	(39,571)
Thereafter	43,159	(15,324)
Total	$ 2,537,722	$ 495,177

Actuarial assumptions

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The following changes in actuarial assumptions occurred in 2018:

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

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

	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1%	2.9%	2.9%	1.8%
Fixed income	18%	4.4%	4.3%	4.0%
Global equity	54%	7.6%	6.3%	17.0%
Real estate (property)	11%	6.6%	6.0%	11.3%
Private equity	10%	10.7%	7.8%	26.5%
Strategic investments	6%	6.0%	5.7%	8.6%
	100%			

Discount rate

The discount rate used to measure the total pension liability for FRS was 7.00%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

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

Sensitivity analysis

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

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
6.00%	7.00%	8.00%	2.87%	3.87%	4.87%
$ 12,594,919	$ 6,901,168	$ 2,172,169	$ 4,451,029	$ 3,908,041	$ 3,455,428

Pension plans' fiduciary net position

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

Payables to the pension plan

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

NOTE 9 – DEFINED CONTRIBUTION PLAN

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, based on salary and membership class, as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-2019 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of

NOTE 9 – DEFINED CONTRIBUTION PLAN (CONTINUED)

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

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

The Company's Investment Plan pension expense totaled $100,393 for the fiscal year ended June 30, 2019.

NOTE 10 – FUND BALANCE AND NET POSITION RESTRICTIONS

The statement of net position and governmental fund balance sheet reports a restricted net position and fund balance of $3,667,488 and $6,658,436, respectively. Of these amounts $834,590 is restricted by enabling legislation. The following is a description of reported restrictions at June 30, 2019.

Restricted debt service – This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from operating funds into sinking funds. The amount restricted for debt service for fund balance and net position are $3,356,015 and $365,067, respectively. The difference is $2,389,543 of the restricted fund balance related to net investment in capital assets and $601,405 of accrued interest on the statement of net position.

Restricted insurance proceeds – This restriction was established based on debt agreements which require all insurance proceeds in excess of $50,000 for encumbered property be paid directly to the Trustee and then paid out similar to the original project proceeds through requisitions. The amount restricted for insurance proceeds is $2,467,831.

Restricted food service – This restriction was established based on 7 CFR Section 210.14 which requires that revenues received by food service be used only for the operation or improvement of the food service program. The amount restricted for food service is $834,590.

NOTE 11 – 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, 2019, the schools' CSCO award totaled $1,585,341. CSCO funds of $1,585,341 have been recognized in the accompanying statement of revenues, expenditures and changes in fund balance that relate to various capital expenditures, repairs and maintenance. If the CSCO funds are used to acquire tangible property assets, Bay County District School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreements, ownership of the assets would revert to the District.

NOTE 12 – 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.

NOTE 13 – RELATED PARTY TRANSACTIONS

The Company was engaged in business with a fencing company owned by one of the Company's board members during the year ended June 30, 2019. For the year ended June 30, 2019, $195,687 was paid to the fencing company by the Company. As of June 30, 2019, $106,197 of that amount was payable to the related party.

NOTE 14 – EXTRAORDINARY ITEM

The Company was impacted by Hurricane Michael when it made landfall in October 2018. The Company suffered an impairment loss of $2,788,636 as a result of the hurricane related damage to its campus and has received, thus far, $3,676,362 for insurance recoveries. The insurance recoveries are included in other financing sources in the general fund column of the statement of activities and governmental fund revenues, expenditures and changes in fund balance, and shown as an extraordinary item in the statement of activities column, net of the impairment loss, for a net gain of $887,726.

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

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Company's Proportionate Share of the Net Pension Liability – Florida Retirement System
Last 10 Fiscal Years

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Company's proportion of the net pension liability	0.0229118%	0.0226247%	0.0223144%	0.0225878%	0.0194227%	N/A	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability	$ 6,901,168	$ 6,694,540	$ 5,634,403	$ 2,917,514	$ 1,185,073	N/A	N/A	N/A	N/A	N/A
Company's covered payroll	$ 9,451,262	$ 9,462,681	$ 9,258,844	$ 8,597,055	$ 7,314,985	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 payroll	73.02%	70.75%	60.85%	33.94%	16.20%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.09%	N/A	N/A	N/A	N/A	N/A

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

Schedule of the Company's Contributions – Florida Retirement System
Last 10 Fiscal Years

Year ended June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	$ 689,339	$ 652,969	$ 588,977	$ 544,172	$ 550,709	$ 425,440	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(689,339)	(652,969)	(588,977)	(544,172)	(550,709)	(425,440)	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	N/A	N/A	N/A	N/A
Company's covered payroll	$ 9,128,783	$ 9,451,262	$ 9,462,681	$ 9,258,844	$ 8,597,055	$ 7,314,985				
Contributions as a percentage of covered payroll	7.55%	6.91%	6.22%	5.88%	6.41%	5.82%	N/A	N/A	N/A	N/A

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

See independent auditors' report

Schedule of the Company's Proportionate Share of the Net Pension Liability – Health Insurance Subsidy Program
Last 10 Fiscal Years

June 30,	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *	2009 *
Company's proportion of the net pension liability	0.0369236%	0.0363967%	0.0364814%	0.0339923%	0.0297337%	N/A	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability	$ 3,908,041	$ 3,891,707	$ 4,251,758	$ 3,466,683	$ 2,780,181	N/A	N/A	N/A	N/A	N/A
Company's covered payroll	$ 9,451,262	$ 9,462,681	$ 9,258,844	$ 8,597,055	$ 7,314,985	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 payroll	41.35%	41.13%	45.92%	40.32%	38.01%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%	N/A	N/A	N/A	N/A	N/A

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

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

Year ended June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Contractually required contribution	$ 202,006	$ 200,237	$ 192,622	$ 186,990	$ 119,015	$ 101,858	N/A	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(202,006)	(200,237)	(192,622)	(186,990)	(119,015)	(101,858)	N/A	N/A	N/A	N/A
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	N/A	N/A	N/A	N/A
Company's covered payroll	$ 9,128,783	$ 9,451,262	$ 9,462,681	$ 9,258,844	$ 8,597,055	$ 7,314,985				
Contributions as a percentage of covered payroll	2.21%	2.12%	2.04%	2.02%	1.38%	1.39%	N/A	N/A	N/A	N/A

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

See independent auditors' report

SUPPLEMENTARY INFORMATION

Bay Haven Charter Academy, Inc.
Schedule of Revenues and Expenditures – General Fund (Management Format)
Year Ended June 30, 2019

	Account	100 Employee Salaries	200 Employee Benefits	300 Purchased Services	400 Energy Services	500 Materials & Supplies	600 Capital Outlay	700 Other Expenditures	Total
Revenues									
Federal sources	3100								$ 94,215
Federal sources through state	3200								811,479
State sources	3300								23,918,029
Local sources	3400								1,797,553
Insurance recovery and sale of asset	3700								3,676,362
Total revenues									30,297,638
Expenditures									
Regular instruction	5100	$ 8,578,523	$ 1,982,945	$ 122,942	$ -	$ 489,941	$ 15,785	$ 331,613	11,521,749
Exceptional instruction	5200	814,361	167,249	15,511	-	10,623	-	1,890	1,009,634
Pupil services	6100	534,458	130,965	3,043	-	5,618	-	-	674,084
Instructional media services	6200	32,194	9,003	-	-	1,876	-	226	43,299
Instruction staff training services	6400	-	-	64,487	-	4,305	1,502	45,298	115,592
Instructional related technology	6500	-	-	519	-	104,766	483,239	-	588,524
Board services	7100	-	-	110,292	-	-	-	-	110,292
General administrative services	7200	859,986	206,409	22,967	-	56,643	5,336	73,601	1,224,942
School administrative services	7300	1,150,428	233,933	157,175	-	38,102	29,654	214,691	1,823,983
Facilities acquisition and construction	7400	-	-	6,300	-	141,503	2,989,461	-	3,137,264
Fiscal services	7500	-	-	2,543	-	21,667	-	-	24,210
Food services	7600	280,908	77,931	9,799	-	378,013	5,095	747	752,493
Pupil transportation services	7800	228,547	49,225	42,425	34,276	9,380	230,065	3,430	597,348
Operation of plant	7900	-	-	883,343	419,537	9,107	38,580	75	1,350,642
Maintenance of plant	8100	148,887	44,811	141,151	-	22,459	100,755	9,121	467,184
Community services	9100	215,898	40,148	24,887	-	19,869	-	1,250	302,052

(Continued)

	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		$ -	$ -	$ -	$ -	$ -	$ -	$ 459,075	$ 459,075
Interest		-	-	-	-	-	-	1,854,459	1,854,459
Total expenditures		$ 12,844,190	$ 2,942,619	$ 1,607,384	$ 453,813	$ 1,313,872	$ 3,899,472	$ 2,995,476	26,056,826
Net change in fund balance									$ 4,240,812

COMPLIANCE SECTION

Carr, Riggs & Ingram, LLC
14101 Panama City Beach Parkway
Suite 200
Panama City Beach, FL 32413

(850) 784-6733
(850) 784-4866 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Bay Haven Charter, Inc. (Company), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Company's basic financial statements and have issued our report thereon dated November 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal controls, described in the accompanying schedule of findings and questioned costs as financial statement findings 2019-001, 2019-002, and 2019-003 that we considered to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2019-004.

Management's Response to Findings

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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
November 21, 2019

Carr, Riggs & Ingram, LLC
14101 Panama City Beach Parkway
Suite 200
Panama City Beach, FL 32413

(850) 784-6733
(850) 784-4866 (fax)
www.cricpa.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

We have audited Bay Haven Charter, Inc.'s (Company) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company's major federal programs for the year ended June 30, 2019. The Company's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Company's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Company's compliance.

Opinion on Each Major Federal Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identity a deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-004, that we consider to be a significant deficiency.

The Company's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Company's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

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

Federal Awards Programs	CFDA Number	Contract/ Grant Number	Passed through to Subrecipients	Expenditures
United State Department of Agriculture				
Indirect				
Child Nutrition Cluster				
Passed through State of Florida Department of Agriculture and Consumer Services				
School Breakfast Program	10.553	N/A	$ -	$ 104,329
National School Lunch Program	10.550	N/A	-	685,079
Total Child Nutrition Cluster			-	789,408
Total United State Department of Agriculture			-	789,408
Total expenditures of federal awards			$ -	$ 789,408

Notes to schedule of expenditures of federal awards:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Bay Haven Charter Academy, Inc. (Company) under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Company, it is not intended to, and does not, present the financial position, changes in financial position, or cash flows of the Company.

2. Summary of significant accounting policies - Expenditures are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. Indirect cost rate - The District has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements:

1.	Type of Auditors' report issued	Unmodified
2.	Internal control financial reporting:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies noted not considered to be material weaknesses?	Yes
	c. Noncompliance material to the financial statements noted?	No

Federal Awards:

1.	Type of auditors' report issued on compliance for major programs	Unmodified
2.	Internal control over major programs:	
	a. Material weaknesses identified?	No
	b. Significant deficiencies noted not considered to be material weaknesses?	Yes
3.	Any audit findings disclosed that are required to be reporting in accordance with 2CFR section 200.516(a)?	Yes
4.	Identification of major programs:	

CFDA Number	Federal Program
10.553 and 10.555	Child Nutrition Cluster

5.	Dollar threshold used to distinguish between type A and type B programs:	$ 750,000
6.	Auditee qualified as low-risk auditee under 2 CFR 200.520?	No

(Continued)

SECTION II – FINANCIAL STATEMENT FINDINGS

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

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

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

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

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

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

Recommendation: The 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 number of staff and resources available. Management believes the resources necessary to eliminate the finding would include hiring additional staff which would be cost prohibitive. Management does not believe the investment required to eliminate this finding would provide sufficient benefit to justify the cost. Mitigating controls have been implemented to reduce risks related to the lack of proper segregation.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2019-004 – Lack of Records to Support Allocation of Salary and Benefit Costs

CFDA Numbers – 10.553 and 10.555
Program Title – Child Nutrition Cluster
Compliance Requirement – Allowable Costs/Cost Principles
Pass-through Entity – Florida Department of Agriculture and Consumer Services
Finding Type – Noncompliance and Significant Deficiency
Questioned Costs – None
Statistically Valid Sample – Not Applicable
Prior Year Finding – Not Applicable

(Continued)

Condition: The Company did not maintain appropriate records to support the salary and benefit costs for one employee allocated to the food service program.

Effect: Absent a system of internal control that documents and provides reasonable assurance that salary and benefit charges are accurate, allowable, and properly allocated, salary costs charged to the program may not be appropriately supported and could be subject to disallowance by the grantor.

Cause: Management did not realize that this was a requirement for the grant and do not remember the grantor informing them of this requirement when they implemented the program.

Criteria: 2 CFR 200.430(i), *Standards for Documentation of Personnel Expenses,* indicates that charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed and the records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated.

Recommendation: The Company should implement a system of internal controls including documentation to support all salaries and benefits charged to federal programs including expenses associated with employees allocated to multiple programs with the Company.

Views of Responsible Officials and Planned Corrective Action: In order to comply with federal regulations, Bay Haven Charter, Academy, Inc. will use personnel activity sheets/reports for those employees that have a role in the Food Service program as well as other programs. Also, the Company will use the semi-certification process for all employees involved in the Food Service.

SECTION IV – SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Prior Year/ Current Year Finding Number	Program/ Area	Brief Description	Status	Comments
2018-003/ 2019-003	Financial Statement/ Segregation of Duties	The Company does not have proper segregation of duties due to limited staff.	Not Corrected	Mitigating controls have been implemented to reduce risks related to the lack of proper segregation. Management does not believe the investment required to eliminate this finding would provide sufficient benefit to justify the cost.

BAY HAVEN CHARTER ACADEMY, INC.
2501 Hawks Landing Blvd.
Panama City, FL 32405
850-248-3500

Bay Haven Charter Academy, Inc.

Management's Corrective Action Plans

For the Fiscal Year Ended June 30, 2019

Finding Number: 2019-001

Planned Corrective Action:
Management is in the process of converting to a fixed asset system to improve the fixed assets processes. Management will consider implementing a process for updating fixed assets throughout the year and reconciling amounts on the depreciation schedule to the trial balance in total and by school.

Anticipated Completion Date: 06/30/2020

Responsible Contact Person: Laura Adams

Finding Number: 2019-002

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

Anticipated Completion Date: 12/31/2019

Responsible Contact Person: Laura Adams

Finding Number: 2019-003 (Prior years 2018-003 and 2017-002)(initially reported in 2017)

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

Anticipated Completion Date: Ongoing

Responsible Contact Person: Laura Adams

Federal Awards Finding Number: 2019-004

Planned Corrective Action Plan:
In order to comply with federal regulations, Bay Haven Charter Academy, Inc. will use personnel activity sheets/reports for those employees that have a role in the Food Service program as well as other programs. Also, the Company will use the semi-certification process for all employees involved in the Food Service.

Anticipated Completion Date: 12/31/2019

Responsible Contact Person: Laura Adams