Bay Haven Charter Academy, Inc.

FINANCIAL STATEMENTS

June 30, 2020

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of Bay Haven Charter Academy, Inc. (Company), as of and for the year ended June 30, 2020, 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 bay Haven Charter Academy, Inc., as of June 30, 2020, 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, 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, 2020, 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 management's discussion on pages 4 through 9, and the schedules of defined benefit pension plans on pages 47 through 50, 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 51 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 the purpose 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 October 30, 2020, 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
October 30, 2020

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 $19,872,327 (total net position). Of this amount, $7,985,172 is unrestricted net position of governmental activities. Total net position also includes $8,742,746 net investment in capital assets in the governmental activities.

- Total net position increased by $2,883,424 during the year ended June 30, 2020.

- As of June 30, 2020, the general fund unassigned fund balance was $16,070,379 or 57% of total general fund expenditures for the year.

- Governmental activities' total revenues increased 12% to $29,888,680, while governmental activities' total expenses increased 12% to $27,028,893.

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 the *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 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, capital outlay, debt service, 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, 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. 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 category of funds in the Company's *fund financial statements* includes: 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 fund, 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 also 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 the governmental fund, 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 2020, 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,		**2020**		**2019**
Current and other assets	$	23,524,313	$	22,698,618
Capital assets, net		41,092,813		38,939,688
Total assets		64,617,126		61,638,306
Deferred outflows of resources		4,570,622		5,124,971
Current liabilities		1,467,800		2,452,109
Noncurrent liabilities		46,721,195		46,121,538
Total liabilities		48,188,995		48,573,647
Deferred inflows of resources		1,126,426		1,200,727
Net position				
Net investment in capital assets		8,742,746		6,140,973
Restricted		3,144,409		3,667,488
Unrestricted		7,985,172		7,180,442
Total net position	$	19,872,327	$	16,988,903

Net investment in capital assets (e.g., land, buildings, and equipment), represents 44% 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, $3,144,409 (16%), represents resources that are subject to restrictions on how they may be used. The balance of *unrestricted net position* $7,985,172, 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,	2020	2019
Revenues		
Intergovernmental	$ 24,845,472	$ 24,034,074
Charges for services	1,155,556	1,358,026
Operating contributions and grants	889,292	789,649
Other revenue from local sources	550,720	163,667
Donations	57,460	82,485
Gain on sale of assets	500	-
Miscellaneous	105,436	95,583
Insurance recoveries	2,200,331	-
Interest income	83,913	97,792
Total revenues	29,888,680	26,621,276
Expenses		
Instructional services	14,030,593	13,102,266
Support services	9,354,495	7,571,201
Depreciation	1,804,861	1,586,659
Interest	1,838,944	1,863,478
Total expenses	27,028,893	24,123,604
Increase in net position before extraordinary item	2,859,787	2,497,672
Extraordinary item	-	887,726
Increase in net position	$ 2,859,787	$ 3,385,398

For the year ended June 30, 2020, governmental activities' revenues exceeded expenses by $2,859,787. Total revenues increased $3,267,404 over the previous year. Revenues increased primarily as a result of an increase in revenue from Bay County District School Board and insurance proceeds related to Hurricane Michael. An extraordinary item was reported in the prior year related to impairments and insurance recoveries associated with damage from Hurricane Michael in October of 2018. Total expenses increased $2,905,289 from the previous year. Expenses increased primarily as a result of an increase in regular instruction and maintenance services associated with Hurricane Michael remediation.

Intergovernmental receipts generated 83% of the revenues for governmental activities. Most of the governmental resources were expended for instructional services (52%) and support services (35%).

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, 2020, total assets were $23,512,887 and total liabilities were $1,061,797. At the end of fiscal year 2020, unassigned fund balance of the general fund was $16,070,379.

Analysis of General Fund Budget Variations

For the year ended June 30, 2020, the general fund expenditures exceeded the final budget by 12% mainly due to some unbudgeted capital outlays and facilities and acquisition and construction, related to Hurricane Michael repairs and remediation. Revenues, including other financing sources, exceeded the final budget by 13% mainly due to insurance recoveries related to hurricane repairs and an unanticipated increase in intergovernmental revenues.

Capital Assets Activity

The following schedule provides a summary of the Company's capital assets. The Company's total investment in capital assets as of June 30, 2020, was $41,092,813 (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,	2020	2019
Land	$ 2,612,870	$ 2,612,870
Construction in progress	258,066	1,326,497
Buildings	31,117,475	29,505,837
Improvements other than buildings	4,514,153	2,815,355
Computers	573,370	560,573
Furniture, fixtures and equipment	2,016,879	2,118,556
Total	$ 41,092,813	$ 38,939,688

Additional information about the Company's capital assets can be found in note 3 of the notes to financial statements.

Debt Management

At the end of fiscal year 2020, the Company had total bond debt outstanding in the amount of $34,625,000, which is shown on the financial statements net of $447,106 in premiums and discounts.

Outstanding Bond Debt Payable
Governmental Activities

June 30,		2020		2019
Revenue bonds payable	$	34,177,894	$	34,552,638

At the end of fiscal year 2020, the Company had total debt outstanding for a capital lease in the amount of $546,359.

Outstanding Capital Lease Payable
Governmental Activities

June 30,		2020		2019
Capital lease payable	$	546,359	$	635,620

More detail on the Company's liabilities is presented in note 3 of the notes to financial statements.

Economic Factors and Next Year's Budget

In setting the budget for FY 2021, the School considered a number of issues, among them:

- Continued curriculum content development and related IT support
- Increased salary and benefit costs due to higher salaries and rising insurance rates, which includes compliance to the Teacher Salary Increase Allocation Bill passed by the Florida Legislature during 2020 and the increase in the employer-paid percentage of FRS outlined in the 2020 Florida Appropriations Bill
- Increased capital expenditures following Hurricane Michael to include building and furniture, fixtures and equipment
- Increased enrollment in Bay Haven Charter Academy Middle School and North Bay Haven Charter Career Academy
- Increased facility costs due to the addition of portables to house the Marine Science Academy at North Bay Haven Charter Career Academy
- Increased plant operations and maintenance due to Hurricane Michael
- Increased plant operations and health services expenditures due to Covid-19
- Reduced revenue from ancillary services due to Covid-19
- Increased grant funding due to the CARES Act

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, 2020

	Governmental Activities	Component Unit
Assets		
Cash and cash equivalents	$ 18,169,288	$ 156,986
Investments	1,668,401	-
Restricted investments	3,403,751	-
Accounts receivable, net	100,071	-
Prepaids	153,859	-
Inventory	17,517	-
Other assets	11,426	-
Capital assets, net	41,092,813	-
Total assets	64,617,126	156,986
Deferred outflows of resources - pensions	4,570,622	-
Total assets and deferred outflows of resources	69,187,748	156,986
Liabilities		
Accounts payable and accrued expenses	775,420	-
Accrued salaries and benefits	53,345	-
Unearned revenue	44,124	-
Interest payable	594,911	-
Long-term liabilities		
Due within one year		
Capital lease, current portion	94,766	-
Accrued compensated absences, current portion	188,908	-
Revenue bonds, current portion	410,000	-
Due in more than one year		
Capital lease, net of current portion	451,593	-
Accrued compensated absences, net of current portion	81,417	-
Net pension liability	11,726,617	-
Revenue bonds, net of current portion and discount/premium	33,767,894	-
Total liabilities	48,188,995	-
Deferred inflows of resources - pensions	1,126,426	-
Total liabilities and deferred inflows of resources	49,315,421	-
Net position		
Net investment in capital assets	8,742,746	-
Restricted	3,144,409	156,986
Unrestricted	7,985,172	-
Total net position	$ 19,872,327	$ 156,986

See accompanying notes

	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	$ 14,030,593	$ 495,813	$ -	$ -	$ (13,534,780)	$ -
Support services	9,354,495	659,743	889,292	-	(7,805,460)	-
Depreciation	1,804,861	-	-	-	(1,804,861)	-
Interest on long-term debt	1,838,944	-	-	-	(1,838,944)	-
Total primary government	$ 27,028,893	$ 1,155,556	$ 889,292	$ -	(24,984,045)	-
Total component unit	$ 5,442	$ -	$ -	$ -	-	(5,442)
General revenues						
Intergovernmental revenue					24,845,472	-
Other revenue from local sources					550,720	-
Donations					57,460	2,296
Gain on sale of assets					500	-
Insurance recoveries					2,200,331	-
Miscellaneous					105,436	-
Total general revenues					27,759,919	2,296
Interest income					83,913	82
Total general revenues and interest					27,843,832	2,378
Change in net position					2,859,787	(3,064)
Net position - beginning (as originally reported)					16,988,903	160,050
Restatement adjustment					23,637	-
Net position - beginning (as restated)					17,012,540	160,050
Net position - ending					$ 19,872,327	$ 156,986

See accompanying notes

Bay Haven Charter Academy, Inc.
Balance Sheet – Governmental Fund
June 30, 2020

		General Fund
Assets		
Cash and cash equivalents	$	18,169,288
Investments		1,668,401
Restricted investments		3,403,751
Accounts receivable, net		100,071
Prepaids		153,859
Inventory		17,517
Total assets		23,512,887
Liabilities		
Accounts payable and accrued expenses		775,420
Accrued salaries and benefits		53,345
Accrued compensated absences, current portion		188,908
Unearned revenue		44,124
Total liabilities		1,061,797
Fund balance		
Nonspendable		171,376
Restricted		6,113,506
Assigned		95,829
Unassigned		16,070,379
Total fund balance		22,451,090
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.		41,104,239
Deferred outflows and inflows of resources are not financial resources or liabilities and therefore are not reported in the funds.		3,444,196
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.		(47,127,198)
Net position of governmental activities	$	19,872,327

See accompanying notes

Bay Haven Charter Academy, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund
Year Ended June 30, 2020

	General Fund
Revenues	
Intergovernmental	$ 25,734,764
Charges for services	495,813
Before and aftercare fees	502,544
Lunchroom fees	157,199
Other revenue from local sources	550,720
Donations	57,460
Interest	83,913
Miscellaneous	105,436
Total revenues	27,687,849
Expenditures	
Instructional	
Regular instruction	11,910,413
Exceptional instruction	1,104,713
Support services	
Pupil services	679,727
Instructional media services	45,328
Instructional staff training services	123,837
Instructional related technology	228,463
Board services	123,159
General administrative services	1,467,120
Facilities acquisition and construction	961,669
School administrative services	2,008,860
Fiscal services	26,113
Food services	778,751
Pupil transportation services	331,121
Plant operations	1,434,726
Maintenance services	465,081
Community services	308,947
Capital outlay	
Site, building and equipment	3,957,986
Debt service	
Principal and interest	2,309,443
Total expenditures	28,265,457

(Continued)

Bay Haven Charter Academy, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Fund (Continued)
Year Ended June 30, 2020

	General Fund
Excess (deficit) of revenues over (under) expenditures	$ (577,608)
Other financing sources	
Insurance recoveries	2,200,331
Sale of capital assets	500
Total other financing sources	2,200,831
Net change in fund balance	1,623,223
Fund balance	
Beginning of year (as originally reported)	20,804,230
Prior period adjustment	23,637
Beginning of year (as restated)	20,827,867
End of year	$ 22,451,090

See accompanying notes

Bay Haven Charter Academy, Inc.
Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance to the Statement of Activities
Year Ended June 30, 2020

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

Net change in fund balance - total governmental fund (page 14)	$ 1,623,223
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.	2,153,125
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.	470,499
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).	(1,387,060)
Change in net position of governmental activities (page 11)	$ 2,859,787

See accompanying notes

Bay Haven Charter Academy, Inc.
Statement of Revenues and Expenditures – Budget and Actual – General Fund
Year Ended June 30, 2020

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Intergovernmental	$ 24,259,191	$ 24,533,420	$ 25,734,764	$ 1,201,344
Charges for services	570,295	488,000	495,813	7,813
Before and aftercare fees	494,533	519,039	502,544	(16,495)
Lunchroom fees	304,544	161,692	157,199	(4,493)
Other revenue from local sources	274,222	299,421	550,720	251,299
Donations	21,248	111,490	57,460	(54,030)
Interest	21,914	21,914	83,913	61,999
Miscellaneous	17,757	76,457	105,436	28,979
Total revenues	25,963,704	26,211,433	27,687,849	1,476,416
Expenditures				
Instructional	13,992,744	13,158,803	13,015,126	143,677
Support services	7,414,125	7,602,253	8,982,902	(1,380,649)
Capital outlay	1,362,063	2,221,669	3,957,986	(1,736,317)
Debt service	2,319,615	2,319,615	2,309,443	10,172
Total expenditures	25,088,547	25,302,340	28,265,457	(2,963,117)
Excess (deficit) of revenues over (under) expenditures	875,157	909,093	(577,608)	(1,486,701)
Other financing sources (uses)				
Insurance recoveries	-	173,971	2,200,331	2,026,360
Sale of capital assets	-	-	500	500
Total other financing sources (uses)	-	173,971	2,200,831	2,026,860
Net change in fund balance	$ 875,157	$ 1,083,064	$ 1,623,223	$ 540,159

See accompanying notes

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 Bay Haven Charter Academy, Inc. and its component units, entities for which the Company is considered to be financially accountable or for which the nature and significance of the relationship with the primary government are such that their exclusion would cause the Company's financial statements to be misleading or incomplete. 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.

The accounting policies of the Company conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the Company are described below.

In evaluating the Company as a reporting entity, management has considered all potential component units in accordance with Section 2100: *Defining the Financial Reporting Entity* of the Governmental Accounting Standards Board (GASB) Codification.

Discretely Presented Component unit – Bay Haven Charter Academy Foundation, Inc.

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.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the general fund which is the only governmental fund. The Company does not have any proprietary funds or fiduciary funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants, insurance recoveries, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues (other than insurance recoveries and grants) to be available if they are collected within 60 days of the end of the current fiscal period. The Company considers insurance recoveries and grants available if collected within one year after year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental revenues (except grants) and interest are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants and insurance recoveries are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within one year of year-end). All other revenue items are considered to be measurable and available only when cash is received by the Company.

Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for the governmental fund.

As discussed earlier, the Company has one discretely presented component unit. While the Foundation is considered to be a major component unit, it is nevertheless shown in separate column in the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the Company's funds. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented when applicable. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The Company reports the following major governmental fund:

The *general fund* is the Company's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

During the course of operations, the Company has activity between schools for various purposes. Residual balances outstanding at year-end are reported as due from/to other schools. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Information

Budgetary basis of accounting

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.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year-end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

Excess of expenditures over appropriations

For the year ended June 30, 2020, expenditures exceeded appropriations in total by $2,963,117, due mainly to Hurricane Michael related activity for remediation and some capital outlay not being considered in the budget. While Florida Statutes 1022.33(9) requires charter schools to adopt and maintain an annual budget they are legally allowed to overspend their budget.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity

Cash and cash equivalents

The Company's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly liquid investments with original maturities of three months or less from the date of acquisition.

Investments

Investments of the Company meet the specified criteria in GASB Codification Section I50: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the Company's position in investments is equal to the value of the pooled shares.

Receivables and payables

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. There was no allowance for uncollectible amounts considered necessary at June 30, 2020.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned revenue **–** Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Inventories and prepaid items

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of food service supplies. The costs of such inventories are recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

Restricted assets

Certain assets of the Company are classified as restricted assets on the statement of net position and governmental fund balance sheet because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets as follows:

Bond and capital lease debt service accounts – Includes certain proceeds from issuance of revenue bonds, as well as certain resources set aside for the repayment of bonds or capital lease obligations.

Accounts receivable

Receivables at June 30, 2020 are net of allowance for uncollectable accounts. There was no allowance for uncollectible amounts considered necessary at June 30, 2020.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. athletic fields and outside structures), are reported in the governmental activities column in the government-wide financial statements. Capital assets, are typically defined by the Company as assets with an initial, individual cost of more than $750 and an estimated useful life in excess of two years.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the Company has chosen to include all such items regardless of their acquisition date or amount. The Company was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Company constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method generally over the following estimated useful lives:

Buildings	40	Years
Furniture, fixtures and equipment	5 - 10	Years
Computers	3 - 5	Years
Improvements other than buildings	5 - 40	Years

Deferred outflows/inflows of resources

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

The Company has one item that qualifies for reporting as deferred outflows of resources, the *deferred outflows related to pensions*, which is reported in the government-wide statement of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

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 an inflow of resources (revenue) until that time. The Company has one item that qualifies for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

Compensated absences

The Company's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the Company and, accordingly upon separation from service, no monetary obligation exists.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and are recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section I30: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Capital lease obligations

Obligations arising from capital leases are reported as long-term liabilities.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Categories and classification of fund equity

Net position flow assumption – Sometimes the Company will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Company's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the Company will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

order in which the resources are considered to be applied. It is the Company's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Company itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Company's highest level of decision-making authority, which is the Board of Directors. Once a commitment is made, the limitation imposed remains in place until a similar action is taken to remove or revise the limitation.

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the Company for specific purposes but do not meet the criteria to be classified as committed. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the general fund.

Revenues and Expenditures/Expenses

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 Company reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the Company is adjusted during the year to

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the Company during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the Company's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

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

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes and Rule 6A-1.0453, Florida Administrative Code (FAC). Companys 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 an other school administrative expense. This funding is received on a pro rata basis over a twelve month period and is adjusted for changes in the full-time equivalent (FTE) student population. Revenues that are earned but not available are reported as deferred inflows of resources until such time as they become available.

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

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year’s budget. At year-end encumbrances in the general fund totaled $95,829.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

Bay Haven Charter Academy, Inc. (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 its five charter schools. 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, 2020. The Company's federal income tax returns for 2017, 2018, and 2019 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 in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through October 30, 2020, the date that the financial statements were available to be issued. See note 9 for the relevant disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

Recently Issued and Implemented Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued the following statements that will become effective in future years.

In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. This Statement seeks to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 was initially expected to be effective for the fiscal years beginning after December 15, 2018. However, during fiscal year 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which postponed the effective date of this statement to fiscal years beginning after December 15, 2019.

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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 payment provisions of the contract. 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 receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were postponed by GASB Statement No. 95 to be effective for reporting periods beginning after June 15, 2021.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. The requirements of this Statement were postponed by GASB Statement No. 95 and are effective for reporting periods beginning after December 15, 2020.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements* (SBITA). The objectives of this Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022.

The Company is evaluating the requirements of the above statements and the impact on reporting.

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 ($22,451,090) on the governmental funds balance sheet differs from the net position of governmental activities ($19,872,327) 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	$ 53,195,532
Accumulated depreciation	(12,102,719)
Capital assets, net of accumulated depreciation	$ 41,092,813

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	$ 34,625,000
Capital lease payable	546,359
Accrued compensated absences	81,417
Net pension liability	11,726,617
Premium/discount on bonds payable	(447,106)
Total long-term liabilities	$ 46,532,287

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	$ 594,911

Deferred Inflows and Outflows of Resources 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	$ 4,570,622
Deferred inflows of resources	(1,126,426)
Deferred inflows and outflows of resources for pensions	$ 3,444,196

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

Capital outlay	$	3,957,986
Depreciation expense		(1,804,861)
Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	$	2,153,125

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	$	(10,396)
Pension expense		1,397,456
Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities	$	1,387,060

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

Principal payments	$	479,260
Amortization of bond premium/discount		(15,255)
Change in accrued interest		6,494
Net adjustment to increase net change in fund balance - total governmental funds to arrive at changes in net position of governmental activities	$	470,499

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Up to $250,000 of the Company's bank balances per bank are covered by federal depository insurance (FDIC). Monies invested in amounts greater than the FDIC coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the Company pursuant to Section 280.08, Florida Statutes.

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

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's investments are in government money market funds, with a single brokerage firm, which qualifies as an external investment pool. At June 30, 2020, the Company's investment total was $5,072,152. The fair value of the Company's position in the pool is equal to the value of the pooled shares or net asset value. Under GASB Codification I50: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2020, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the Company's access to 100 percent of their account value in either external investment pool. The credit rating of the investments is AAAm with a weighted average maturity of 54 days.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the Company places its deposits are certified as "qualified public depositories," as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the Company will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Deposits and Investments (Continued)

Interest rate risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The Company follows Florida Statutes 218.415(17) as their investment policy which limits interest rate risk by allowing only certain investments.

Credit risk – Section I50: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The Company follows Florida Statutes 218.415(17) as their investment policy which limits investments to securities with specific ranking criteria.

Concentration risk – Section I50: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The Company's investment policy does not address concentration risk. As of June 30, 2020, the Company had investments of $4,572,152 which were uninsured. However, all cash deposits were collateralized through Florida's multiple institution collateralized pool.

Restricted Investments

At June 30, 2020, the Company had $3,403,751 in restricted investments for sinking fund and reserve requirements related to their outstanding debt.

Capital Assets

Capital assets balances and activity for the year ended June 30, 2020 are as follows:

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Land	$ 2,612,870	$ -	$ -	$ -	$ 2,612,870
Buildings	35,607,332	1,280,257	-	1,274,701	38,162,290
Improvements other than buildings	3,854,482	1,941,139	-	47,700	5,843,321
Furniture, fixtures and equipment	4,021,697	216,250	(35,155)	-	4,202,792
Computers	1,890,263	266,370	(40,440)	-	2,116,193
Construction in process	1,326,497	253,970	-	(1,322,401)	258,066
Total capital assets	49,313,141	3,957,986	(75,595)	-	53,195,532

(Continued)

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Capital Assets (Continued)

	Balance June 30, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Less accumulated depreciation					
Buildings	$ (6,101,495)	$ (943,320)	$ -	$ -	$ (7,044,815)
Furniture, fixtures and equipment	(1,903,141)	(317,927)	35,155	-	(2,185,913)
Computers	(1,329,690)	(253,573)	40,440	-	(1,542,823)
Improvements other than buildings	(1,039,127)	(290,041)	-	-	(1,329,168)
Total accumulated depreciation	(10,373,453)	(1,804,861)	75,595	-	(12,102,719)
Capital assets, net of accumulated depreciation	$ 38,939,688	$ 2,153,125	$ -	$ -	$ 41,092,813

The cost of capital assets acquired under capital lease is $994,968, less accumulated depreciation of $433,390, for a net carrying value of $561,578 at June 30, 2020.

Depreciation expense of $1,804,861 was charged to governmental activities. Depreciation expense was not allocated to specific functions as their capital assets essentially serve all functions.

Long-term Debt and Liabilities

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 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, 2020 total $17,166,494. For the year ended June 30, 2020, principal and interest payments on the bond required 8% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were $817,043 and $10,733,746 respectively.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (Continued)

Future debt service requirements on the revenue bonds at June 30, 2020 are as follows:

Year ending June 30,	Principal	Interest	Total
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	320,000	498,675	818,675
2026-2030	1,875,000	2,215,781	4,090,781
2031-2035	2,460,000	1,622,869	4,082,869
2036-2040	3,330,000	761,400	4,091,400
2041	795,000	23,850	818,850
Total	$ 9,895,000	$ 7,271,494	$ 17,166,494

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, 2020 are as follows:

Year ending June 30,	Principal	Interest	Total
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	120,400	4,570	124,970
2026	10,360	4	10,364
Total	$ 546,359	$ 88,855	$ 635,214

On April 17, 2013, Bay County issued $19,800,000 Educational Facilities Revenue Bonds, series 2013A and $465,000 Taxable Educational Facilities Revenue Bonds, series 2013B for Bay Haven Charter Academy, Inc. The bonds were issued in order to: (i) finance, acquire and construct new facilities for the North Bay Haven Charter Middle School and the North Bay Haven Charter Career Academy (the "North Bay Haven Relocation Project"), (ii) refund the outstanding principal amount of a taxable land loan incurred by the Company with Branch Banking and Trust Company for purposes of financing the related land acquisition, (iii) fund general working capital needs of the Company, (iv) fund the reserve requirement to the reserve account in the bond fund, (v) fund capitalized interest with respect to the Series 2013 Bonds, and (vi) pay a portion of certain expenses incurred. The bonds bear interest at a rate of 5% for the 2013A series and 5% on the 2013B series and the bonds are set to mature starting September 1, 2033 and the last bonds will mature September 1,

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (Continued)

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, 2020 total $42,348,051. For the year ended June 30, 2020, principal and interest payments on the bond required 6% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were $1,062,390 and $16,977,403 respectively.

Future debt service requirements on the revenue bonds payable at June 30, 2020 are as follows:

Year ending June 30,	Principal	Interest	Amortization of Discounts	Total
2021	$ 65,000	$ 998,703	$ (16,825)	$ 1,046,878
2022	70,000	994,720	(16,825)	1,047,895
2023	75,000	990,578	(16,825)	1,048,753
2024	80,000	988,500	(16,825)	1,051,675
2025	80,000	982,500	(16,825)	1,045,675
2026-2030	1,125,000	4,772,175	(84,125)	5,813,050
2031-2035	1,510,000	4,439,250	(84,125)	5,865,125
2036-2040	1,920,000	4,013,750	(84,125)	5,849,625
2041-2045	6,095,000	3,116,125	(84,125)	9,127,000
2046-2049	8,960,000	1,071,750	(67,300)	9,964,450
Total	$ 19,980,000	$ 22,368,051	$ (487,925)	$ 41,860,126

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, 2020 total $8,566,731. For the year ended June 30, 2020, principal and interest payments on the bond were 5% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were $305,041 and $6,454,486, respectively.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Debt and Liabilities (Continued)

Future debt service requirements on the revenue bonds at June 30, 2020 are as follows:

Year ending June 30,	Principal	Interest	Amortization of Premiums	Total
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	105,000	203,003	1,569	309,572
2026-2030	580,000	949,125	7,845	1,536,970
2031-2035	725,000	801,375	7,845	1,534,220
2036-2040	925,000	606,794	7,845	1,539,639
2041-2045	1,170,000	358,031	7,845	1,535,876
2046-2047	870,000	50,775	1,594	922,369
Total	$ 4,750,000	$ 3,816,731	$ 40,819	$ 8,607,550

Short-term Debt

At June 30, 2020, 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 2.91% at June 30, 2020, and is secured by a second lien on assignments and pledged revenues. 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, 2020, and is secured by a money market account with a balance of $351,179. During the year, there were no proceeds or repayments on the lines of credit and the balance outstanding at June 30, 2020 was $0.

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.

Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

Accrued Compensated Absences **(Continued)**

- Ten-month employees: All ten-month employees are able to carryover and accrue up to 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, 2020, the Company had $270,325 in accrued compensated absences, of which $188,908 was estimated to be current and $81,417 was long-term.

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 $3,144,409 and $6,113,506, respectively. Of these amounts $1,041,354 is restricted by enabling legislation. The following is a description of reported restrictions at June 30, 2020.

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 $3,403,751 and $434,654, respectively. The difference is $2,374,186 of the restricted fund balance related to net investment in capital assets and $594,911 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 for fund balance restricted and net position are $1,668,401.

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 $1,041,354.

Net Investment in Capital Assets

The elements of net investment in capital assets as of June 30, 2020 were; capital assets (net of accumulated depreciation) of $41,092,813, less long-term liabilities for revenue bonds and capital leases of $34,724,253, plus reserve cash financed by debt of $2,334,314 and unspent bond proceeds of $39,872.

Note 4: 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 4: 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 4: 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, 2020, 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 2019-2020 fiscal year were as follows:

	Percentage of Gross Salary	
	Employee	**Employer (1)**
Regular class	3.00%	8.47%
DROP plan participants	0.00%	14.60%
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, 2020, 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, 2020, were $768,275 to FRS and $216,586 to HIS.

Note 4: 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, 2019, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2019. The Company's proportions of the net pension liability was based on the Company's actuarially determined share of contributions to the pension plans, relative to the contributions of all participating entities.

Year ended June 30, 2020	FRS	HIS
Net pension liability	$ 7,656,241	$ 4,070,376
Proportion at:		
Current measurement date	0.022231566%	0.036378370%
Prior measurement date	0.022911846%	0.036923648%
Pension expense	$ 1,286,392	$ 415,232

Deferred outflows/inflows of resources related to pensions

At June 30, 2020, 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)	$ 454,114	$ 4,751
Effect of assumptions changes or inputs	1,966,452	-
Net difference between projected and actual investment earnings	-	423,583
Changes in proportion and differences between contributions and proportionate share of contributions	259,111	222,755
Contributions subsequent to the measurement date	768,275	-
Total	$ 3,447,952	$ 651,089

Note 4: 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)	$ 49,439	$ 4,984
Effect of assumptions changes or inputs	471,311	332,679
Net difference between projected and actual investment earnings	2,627	-
Changes in proportion and differences between contributions and proportionate share of contributions	382,707	137,674
Contributions subsequent to the measurement date	216,586	-
Total	$ 1,122,670	$ 475,337

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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follow:

Measurement period ending June 30,	FRS Expense	HIS Expense
2020	$ 792,761	$ 195,731
2021	229,552	153,996
2022	518,295	76,197
2023	386,840	(20,287)
2024	84,234	3,897
Thereafter	16,906	21,213
Total	$ 2,028,588	$ 430,747

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2019. The total pension liability for FRS was determined by an actuarial valuation dated July 1, 2019. For HIS, the total pension liability was determined by an actuarial valuation dated July 1, 2018.

Note 4: DEFINED BENEFIT PENSION PLANS (Continued)

The total pension liability for each of the defined benefit plans, measured as of June 30, 2019, was determined by an actuarial valuation dated July 1, 2019, 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	6.90%	N/A
Discount rate	6.90%	3.50%

Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB. For both plans, the actuarial assumptions used in the valuation dated July 1, 2018 were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The following changes in key actuarial assumptions occurred in 2019:

- FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 7.0% to 6.9%.
- HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.87% to 3.5%.

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%	3.3%	3.3%	1.2%
Fixed income	18%	4.1%	4.1%	3.5%
Global equity	54%	8.0%	6.8%	16.5%
Real estate (property)	10%	6.7%	6.1%	11.7%
Private equity	11%	11.2%	8.4%	25.8%
Strategic investments	6%	5.9%	5.7%	6.7%
	100%			

Note 4: DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate

The discount rate used to measure the total pension liability for FRS was 6.9%. 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 3.5% 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.

FRS Net Pension Liability			HIS Net Pension Liability		
1 % Decrease	Current Discount Rate	1 % Increase	1 % Decrease	Current Discount Rate	1 % Increase
5.90%	6.90%	7.90%	2.50%	3.50%	4.50%
$ 13,235,093	$ 7,656,241	$ 2,996,958	$ 4,646,542	$ 4,070,376	$ 3,590,494

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, 2020, the Company reported no payable to either pension plan.

Note 5: 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

Note 5: DEFINED CONTRIBUTION PLAN (Continued)

contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, based on salary and membership class, as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2018-2019 fiscal year were as follows:

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

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2019, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the 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 $111,521 for the fiscal year ended June 30, 2020.

Note 6: 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, 2020, the schools' CSCO award totaled $1,674,438. CSCO funds of $1,674,438 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 7: RISK MANAGEMENT

The Company is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. There have been no claims in excess of insurance coverage limits during the past three years.

The Company purchases separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the Company faces under Florida statutes. Coverage for general liability claims is a maximum of $1,000,000 and coverage for umbrella liability claims is a maximum of $9,000,000.

The commercial insurance carried is a claims incurred policy for which the Company is covered for claims originating against the Company during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The Company has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended June 30, 2020.

Note 8: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the Company is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the Company, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the Company or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the Company expects such amounts not recorded, if any, to be immaterial.

Note 8: COMMITMENTS AND CONTINGENCIES (Continued)

The Company has active construction projects as of June 30, 2020. At year-end, the Company's commitments with contractors are as follows:

	Total Contract Commitment	Remaining Commitment as of June 30, 2020
Replace gym floor and interior repairs	$ 647,487	$ 441,973
Covered walkways	415,573	415,573
Exterior lights	144,361	144,361
Covered walkway lights	42,774	42,774
Football field restoration	239,005	54,514
Gutter/downspouts	54,496	54,496
Replace PE Pavilion	163,531	163,531
Painting	245,064	87,567
Portables	232,722	202,117
Total	$ 2,185,013	$ 1,606,906

Note 9: SUBSEQUENT EVENTS

Covid-19

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant impact on the operations of the Company. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

Bond Refinancing

In October 2020, the Company refinanced the 2010 bonds to take advantage of lower interest rates. $9,510,000 par value bonds were issued at an interest rate of 3.75% for 20 years to refinance the bonds issued in 2010.

Note 10: PRIOR PERIOD ADJUSTMENT

During the current year, a related organization was desolved and their remaining funds were transferred into Bay Haven Middle School's internal funds. The $23,637 transferred funds increased beginning fund balance of the Company to $20,827,867 and net position to $17,012,540.

REQUIRED SUPPLEMENTARY INFORMATION

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

June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Company's proportion of the net pension liability	0.0222316%	0.0229118%	0.0226247%	0.0223144%	0.0225878%	0.0194227%	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability	$ 7,656,241	$ 6,901,168	$ 6,694,540	$ 5,634,403	$ 2,917,514	$ 1,185,073	N/A	N/A	N/A	N/A
Company's covered payroll	$ 12,170,995	$ 12,100,420	$ 11,657,264	$ 11,262,064	$ 10,313,124	$ 8,834,316	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability as a percentage of its covered payroll	62.91%	57.03%	57.43%	50.03%	28.29%	13.41%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	82.61%	84.26%	83.89%	84.88%	92.00%	96.09%	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.

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

Year ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *
Contractually required contribution	$ 768,275	$ 689,339	$ 652,969	$ 588,977	$ 544,172	$ 550,709	$ 425,440	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(768,275)	(689,339)	(652,969)	(588,977)	(544,172)	(550,709)	(425,440)	N/A	N/A	N/A
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	N/A	N/A	N/A
Company's covered payroll	$ 13,053,885	$ 12,170,995	$ 12,100,420	$ 11,657,264	$ 11,262,064	$ 10,313,124	$ 8,834,316			
Contributions as a percentage of covered payroll	5.89%	5.66%	5.40%	5.05%	4.83%	5.34%	4.82%	N/A	N/A	N/A

* Disclosures for 2011 through 2013 are N/A because comparable information is not available at this time.

See independent auditors' report

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

June 30,	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *	2010 *
Company's proportion of the net pension liability	0.0363784%	0.0369236%	0.0363967%	0.0364814%	0.0339923%	0.0297337%	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability	$ 4,070,376	$ 3,908,041	$ 3,891,707	$ 4,251,758	$ 3,466,683	$ 2,780,181	N/A	N/A	N/A	N/A
Company's covered payroll	$ 12,170,995	$ 12,100,420	$ 11,657,264	$ 11,262,064	$ 10,313,124	$ 8,834,316	N/A	N/A	N/A	N/A
Company's proportionate share of the net pension liability as a percentage of its covered payroll	33.44%	32.30%	33.38%	37.75%	33.61%	31.47%	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%	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.

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

Year ended June 30,	2020	2019	2018	2017	2016	2015	2014	2013 *	2012 *	2011 *
Contractually required contribution	$ 216,586	$ 202,006	$ 200,237	$ 192,622	$ 186,990	$ 119,015	$ 101,858	N/A	N/A	N/A
Contributions in relation to the contractually required contribution	(216,586)	(202,006)	(200,237)	(192,622)	(186,990)	(119,015)	(101,858)	N/A	N/A	N/A
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	N/A	N/A	N/A
Company's covered payroll	$ 13,053,885	$ 12,170,995	$ 12,100,420	$ 11,657,264	$ 11,262,064	$ 10,313,124	$ 8,834,316			
Contributions as a percentage of covered payroll	1.66%	1.66%	1.65%	1.65%	1.66%	1.15%	1.15%	N/A	N/A	N/A

* Disclosures for 2011 through 2013 are N/A because comparable information is not available at this time.

SUPPLEMENTARY INFORMATION

Bay Haven Charter Academy, Inc.
Schedule of Revenues and Expenditures – General Fund (Management Format)
Year Ended June 30, 2020

	Account								Total
Revenues									
Federal sources	3100								$ 28,234
Federal sources through state	3200								889,292
State sources	3300								24,817,238
Local sources	3400								1,953,085
Other financing sources	3600								500
Insurance recovery and sale of asset	3700								2,200,331
Total revenues									29,888,680
		100 Employee Salaries	200 Employee Benefits	300 Purchased Services	400 Energy Services	500 Materials & Supplies	600 Capital Outlay	700 Other Expenditures	
Expenditures									
Regular instruction	5100	$ 8,913,226	$ 2,077,923	$ 172,355	$ -	$ 523,310	$ 10,816	$ 223,599	11,921,229
Exceptional instruction	5200	865,556	172,325	34,271	-	28,744	-	3,817	1,104,713
Pupil services	6100	538,187	127,265	3,987	-	9,998	-	290	679,727
Instructional media services	6200	31,387	5,168	-	-	8,697	2,043	76	47,371
Instruction staff training services	6400	-	-	118,415	-	5,422	1,196	-	125,033
Instructional related technology	6500	-	-	6,477	-	221,986	250,279	-	478,742
Board services	7100	-	-	123,159	-	-	-	-	123,159
General administrative services	7200	1,001,259	216,435	128,537	-	43,861	10,888	77,028	1,478,008
School administrative services	7300	1,355,033	250,385	193,810	-	36,479	17,297	173,153	2,026,157
Facilities acquisition and construction	7400	-	-	61,216	-	900,453	3,324,496	-	4,286,165
Fiscal services	7500	-	-	3,479	-	22,634	-	-	26,113
Food services	7600	294,081	82,180	5,940	-	395,437	21,607	1,113	800,358
Pupil transportation services	7800	205,461	44,771	50,604	24,495	2,899	6,503	2,891	337,624

(Continued)

	Account	100 Employee Salaries	200 Employee Benefits	300 Purchased Services	400 Energy Services	500 Materials & Supplies	600 Capital Outlay	700 Other Expenditures	Total
Operation of plant	7900	$ 123,829	$ 33,529	$ 821,008	$ 386,122	$ 70,238	$ 35,265	$ -	$ 1,469,991
Maintenance of plant	8100	179,296	58,846	185,562	856	29,631	264,898	10,890	729,979
Community services	9100	222,636	44,058	22,386	-	17,789	-	2,078	308,947
Debt service	9200								
Redemption of principal		-	-	-	-	-	-	479,260	479,260
Interest		-	-	-	-	-	-	1,830,183	1,830,183
Internal funds	9800	-	-	-	-	-	12,698	-	12,698
Total expenditures		$ 13,729,951	$ 3,112,885	$ 1,931,206	$ 411,473	$ 2,317,578	$ 3,957,986	$ 2,804,378	28,265,457
Net change in fund balance									$ 1,623,223

See independent auditors' report

COMPLIANCE SECTION

CARR RIGGS & INGRAM
CPAs and Advisors

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the aggregate discretely presented component unit, and the major fund of Bay Haven Charter Academy, Inc. (Company), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Company's basic financial statements and have issued our report thereon dated October 30, 2020.

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 as a basis for designing 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 2020-001 and 2020-002 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Management's Response to Findings

The views of responsible officials and planned corrective actions related to the findings identified in our audit are described 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
October 30, 2020

Carr, Riggs & Ingram, LLC
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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 Academy, 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, 2020. 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; and 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, 2020.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
October 30, 2020

Federal Awards Programs	CFDA Number	Contract/ Grant Number	Passed through to Subrecipients	Expenditures
United States 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	$ -	$ 138,172
National School Lunch Program	10.555	N/A	-	751,600
Total Child Nutrition Cluster			-	889,772
Total United States Department of Agriculture			-	889,772
Total expenditures of federal awards			$ -	$ 889,772

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, 2020. 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 Company 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?	None reported
3. Any audit findings disclosed that are required to be reporting in accordance with 2CFR section 200.516(a)?	No
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

2020-001 – Delays in Deposits (Prior year 2019-002) (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 Company 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 Company 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.

Views of Responsible Officials and Planned Corrective Action: Management has stressed the importance of making timely deposits to Company staff and have implemented additional internal controls to ensure deposits are made in accordance with Company policy in the future. The accounting and finance department will implement additional strategies in order to ensure deposits are made promptly.

2020-002 – Segregation of Duties (Prior years 2019-003 and 2018-003) (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.

(Continued)

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

There were no federal awards findings.

The Company has taken corrective action for findings included in the prior year audit report, except as noted in findings 2020-001 and 2020-002 in the financial statement findings section above.

Prior Year/ Current Year Finding Number	Program/ Area	Brief Description	Status	Comments
2019-001/ N/A	Financial Statement/Manual Depreciation Schedule Procedures and Adjustments to Financial Statements for Capital Outlay	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.	Corrected	Control deficiencies related to findings were corrected for FY 2019-2020
2019-002/ 2020-001	Financial Statement/ Delays in Deposits	The Company does not always follow its policy of requiring funds be deposited at least every other day.	Not Corrected	The Company continues to work on training staff and improving their procedures in this area.
2019-003/ 2020-002	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.
2019-004/ N/A	Child Nutrition Cluster/Allowable Costs and Cost Principals - Lack of Records to Support Allocation of Salary and Benefit Costs	The Company did not maintain appropriate records to support the salary and benefit costs for one employee allocated to the food service program.	Corrected	Control deficiencies related to findings were corrected for FY 2019-2020

BAY HAVEN CHARTER ACADEMY, INC.
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Bay Haven Charter Academy, Inc.

Management's Corrective Action Plans

For the Fiscal Year Ended June 30, 2020

Finding Number: 2020-001 (Prior year 2019-002)(initially reported in 2019)

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. The accounting and finance department will implement additional strategies in order to ensure deposits are made promptly.

Anticipated Completion Date: 12/31/2020

Responsible Contact Person: Laura Adams

Finding Number: 2020-002 (Prior years 2019-003 and 2018-003)(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