

Belmont Academy, Inc.

A Charter School and Component Unit of the
District School Board of Columbia County, Florida

Financial Statements
and
Independent Auditor's Reports

June 30, 2019

Reddish and White
Certified Public Accountants

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REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O Box 307 • 134 East Call Street • Starke, Florida 32091
Phone (904) 964-7555 • Fax (904) 964-3887
www.reddishandwhite.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Belmont Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belmont Academy, Inc (the "School"), a charter school and component unit of the Columbia County District School Board, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 9 and the budgetary comparison information on pages 28 - 30 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 assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2019 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial

reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Reddish & White CPA'S

Starke, Florida
September 25, 2019

Belmont Academy, Inc.

Management's Discussion and Analysis

For the Year Ended June 30, 2019

Within this section of Belmont Academy, Inc.'s (the "School") annual financial report, the School's management provides narrative discussion and analysis of the financial activities of the School for the fiscal year ended June 30, 2019. Please read it in conjunction with the School's financial statements which begin on page 10.

Financial Highlights

- As of June 30, 2019, the assets of the School exceeded its liabilities by \$1,200,629 (net position).
- For the year, the School had expenses that were \$9,662 less than the \$3,986,518 generated in revenues.
- Unrestricted net position of \$556,267 represents the portion available to maintain the School's continuing obligations to its District.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the School's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The School also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The School's annual report includes two government-wide financial statements. These statements provide both long-term and short-term information about the School's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the Statement of Net Position. This is the School-wide statement of financial position presenting information that includes all of the School's assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School as a whole is improving or deteriorating.

The second government-wide statement is the Statement of Activities which reports how the School's net position changed during the current fiscal year. All current year revenues and expenditures are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the School's distinct activities or functions on revenues provided by the District.

The government-wide financial statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those that the School charges for certain services. For the year ended June 30, 2019, the School had no business-type activities or component units.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The School uses funds (and/or separate bank accounts) to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the School's most significant funds rather than the School as a whole. Major funds are required to be separately reported while all others are combined into a single, aggregated presentation. Presently, the School has three governmental funds and one fiduciary fund that encompass the entire operations of the School's operations.

Governmental Funds

All of the School's basic services are reported in three governmental funds; the General Fund, the Special Revenue Fund, and the Capital Outlay Fund. The General Fund is the School's primary operating fund, the Special Revenue Fund is to account for all federal grant revenues passed through the School's District, and the Capital Outlay Fund is to account for the acquisition of capital items purchased with capital outlay funds. These funds are reported using the modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs.

Since the government-wide focus includes the long-term view, comparisons between the two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund

balances provide reconciliations to the government-wide statements to assist in understanding the differences between these two perspectives.

The School adopts an annual budget for its general fund and special revenue fund, as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. Budgetary comparison schedules have been included as part of the requirement supplementary information. The budgetary comparison schedules show four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balanced in the general fund, and 4) the variance between the final budget and the actual resources and charges.

Fiduciary Funds

Fiduciary funds are used to report assets held in a trustee or fiduciary capacity for the benefit of external parties, such as student activity funds. Fiduciary funds are not reflected in the government-wide statements because the resources are not available to support the School's own programs. In its fiduciary capacity, the School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes.

The School uses agency funds to account for resources held for student activities and groups.

Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Financial Analysis of the School as a Whole

The School's combined net position as of June 30, 2019 and 2018 is summarized as follows:

Summary of Net Position

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Current assets	\$580,453	\$503,252
Capital assets	3,679,292	3,711,794
Total assets	<u>4,259,745</u>	<u>4,215,046</u>
Liabilities		
Current liabilities	312,061	85,486
Long-term liabilities	2,747,055	2,938,593
Total liabilities	<u>3,059,116</u>	<u>3,024,079</u>
Net position		
Investment in capital assets, net of related debt	635,840	710,763
Restricted	8,522	10,107
Unrestricted	556,267	470,097
Total net position	<u>\$1,200,629</u>	<u>\$1,190,967</u>

The School maintains a high current ratio. The current ratio compares current assets to current liabilities and is an indication of the ability to pay current obligations.

Note that 53% of the School's net position is classified as capital assets. The School uses these capital assets to provide services to its students.

The following is a summary of the School's change in net position for the years ended June 30, 2019 and 2018.

Summary of Changes in Net Position

	<u>Governmental Activities</u>	
	<u>2019</u>	<u>2018</u>
Revenues:		
Florida education finance program	\$3,327,534	\$2,980,933
Federal through state	187,397	92,683
Gifts and donations	2,741	22,560
Other state revenue	408,614	201,992
Other local revenue	60,232	72,618
	<u>3,986,518</u>	<u>3,370,786</u>
Total revenues		
Program Expenses:		
Instructional services	2,315,161	1,931,479
Instructional support services	138,647	107,025
General support services	1,513,171	1,330,316
Administrative technology services	9,877	0
Community services	0	16,074
	<u>3,976,856</u>	<u>3,384,894</u>
Total expenses		
Excess (deficiency)	9,662	(14,108)
Beginning net position	<u>1,190,967</u>	<u>1,205,075</u>
Ending net position	<u><u>\$1,200,629</u></u>	<u><u>\$1,190,967</u></u>

Financial Analysis of the School's General Fund

The general fund is reported in the fund financial statements with a short-term, inflow and outflow of spendable resource focus. This information may be useful in assessing resources available at the end of the year in comparison with upcoming financial requirements. At June 30, 2019, the general fund reported unassigned fund balance of \$556,267. This is unreserved indicating availability for continuing School service requirements.

General Fund Budgetary Highlights

The school realized 99% of its total budgeted revenues and expended 97% of its budgeted expenditures. The board of directors monitors the budget on a monthly basis making any necessary amendments for available funds or additional expenditures.

Capital Asset and Debt Administration

For the fiscal year 2019, the School invested approximately \$252,000 in capital assets, primarily for Operation of Plant for completion of the new robotics classroom facility, additional metal fencing, gates, and classroom projectors.

A \$230,000 construction note payable was issued to the School for the construction of the robotics classroom facility. See note 5 to the financial statements for additional information.

The School continues to make the scheduled payments on the note payable outstanding collateralized by the School facility and land. See note 5 to the financial statements for additional information.

Economic Environment and Next Year's Budgets and Rates

The School has received an "A" rating from the Florida Department of Education each year, since its first academic school year ending in 2014.

The budgeted revenues for the year ended June 30, 2020 are approximately \$346,000 more than the actual 2019 revenue amounts. This increase is primarily due to an anticipated increase in Florida Education Finance Program funds.

Budgeted expenditures for the year ended June 30, 2019 are approximately \$172,000 more than the actual 2019 total expenditures. The increase is primarily due to an anticipated increase in instructional services.

Contacting the School's Financial Management

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please Contact the School's administrative offices at 1476 SW Walter Avenue Lake City, Florida 32024, (386) 487-0487.

Belmont Academy, Inc.

Statement of Net Position

June 30, 2019

ASSETS

Current Assets

Cash and cash equivalents	\$580,358
Due from internal fund	95

Total Current Assets 580,453

Non-Current Assets

Capital assets not depreciated	
Land	147,000
Other capital assets depreciated, net	
Buildings and fixed equipment	3,287,406
Improvements other than buildings	215,028
Furniture, fixtures, and equipment	29,858

Total Non-Current Assets 3,679,292

TOTAL ASSETS \$4,259,745

LIABILITIES

Current Liabilities

Accounts payable	\$3,190
Interest payable	12,474
Note payable	296,397

Total current liabilities 312,061

Long-term Liabilities

Notes payable	2,747,055
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Total long-term liabilities 2,747,055

TOTAL LIABILITIES 3,059,116

NET POSITION

Investment in capital assets, net of related debt	635,840
Restricted	8,522
Unrestricted	556,267

TOTAL NET POSITION 1,200,629

TOTAL LIABILITIES AND NET POSITION \$4,259,745

See accompanying notes to the financial statements.

Belmont Academy, Inc.

Statement of Activities
For the year ended June 30, 2019

FUNCTIONS / PROGRAMS	EXPENSES	PROGRAM REVENUES			NET REVENUE (EXPENSE)
		FEES, FINES AND CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
Government Activities:					
Instructional services	\$2,315,161		\$10,000	\$21,364	(\$2,283,797)
Instructional support services	\$138,647				(138,647)
General support services:					
Board	49,179				(49,179)
School administration	594,269				(594,269)
Facilities acquisition and construction	29,785			238,074	208,289
Fiscal services	20,231				(20,231)
Food services	144,239				(144,239)
Central services	20,200				(20,200)
Operation of plant	655,268				(655,268)
Administrative technology services	9,877				(9,877)
Total Governmental Activities	\$3,976,856	\$0	\$10,000	\$259,438	(\$3,707,418)

	Primary Government	
	Governmental Activities	Total
Change in net assets:		
Net revenue (expense)	(\$3,707,418)	(\$3,707,418)
General Revenues:		
Florida education finance program	3,327,534	3,327,534
Federal through state	187,397	187,397
Other state revenue	139,176	139,176
Other local revenue	62,973	62,973
Total General Revenues	3,717,080	3,717,080
Change in Net Position	9,662	9,662
Net Position, Beginning of Year	1,190,967	1,190,967
Net Position, End of Year	\$1,200,629	\$1,200,629

See accompanying notes to the financial statements.

Belmont Academy, Inc.Balance Sheet - Governmental Funds
June 30, 2019

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
ASSETS				
Current Assets				
Cash and cash equivalents	\$580,358	\$0	\$0	\$580,358
Due from internal fund	95	0	0	95
Total Current Assets	580,453	0	0	580,453
TOTAL ASSETS	\$580,453	\$0	\$0	580,453
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Current Liabilities				
Accounts payable	\$3,190	\$0	\$0	3,190
Interest payable	12,474	0	0	12,474
Total Current Liabilities	15,664	0	0	15,664
TOTAL LIABILITIES	15,664	0	0	15,664
FUND BALANCES				
Restricted	8,522	0	0	8,522
Unassigned	556,267	0	0	556,267
TOTAL FUND BALANCES	564,789	0	0	564,789
TOTAL LIABILITIES AND FUND BALANCES	\$580,453	\$0	\$0	580,453

See accompanying notes to the financial statements.

Belmont Academy, Inc.

Reconciliation of the Balance Sheet of
Governmental Funds to the Statement of Net Position
June 30, 2019

Total Fund Balance - Total Governmental Funds \$564,789

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

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported as
assets in the governmental fund. The cost of the capital
assets are \$4,141,533 and the accumulated depreciation
is \$462,241 3,679,292

The acquisition of the facility and land through a note payable
provides current financial resources to
governmental funds, while the repayment of the note
consumes current financial resources. This
amount is the effect of these differences in the
treatment of note payables. (3,043,452)

Net Position of Governmental Activities \$1,200,629

See accompanying notes to the financial statements.

Belmont Academy, Inc.Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds
For the year ended June 30, 2019

	General Fund	Special Revenue Fund	Capital Outlay Fund	Total Governmental Funds
REVENUES				
Florida education finance program	\$3,327,534	\$0	\$0	\$3,327,534
Federal through state	0	187,397	0	187,397
Contributions	2,741	0	0	2,741
Other state revenue	170,540	0	238,074	408,614
Other local revenue	60,232	0	0	60,232
TOTAL REVENUES	3,561,047	187,397	238,074	3,986,518
EXPENDITURES				
Current:				
Instructional services	2,277,050	24,134	0	2,301,184
Instructional support services	119,468	19,180	0	138,648
General support services				
Board	49,179	0	0	49,179
School administration	426,494	0	0	426,494
Fiscal services	20,232	0	0	20,232
Food services	0	144,239	0	144,239
Central services	20,200	0	0	20,200
Operation of plant	507,935	0	0	507,935
Administrative technology services	9,877	0	0	9,877
Capital Outlay:				
General support services				
Facilities acquisition and construction	0	0	159,469	159,469
Debt Service	229,929	0	0	229,929
TOTAL EXPENDITURES	3,660,364	187,553	159,469	4,007,386
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(99,317)	(156)	78,605	(20,868)
OTHER FINANCING SOURCES				
Transfers in	180,464	156	0	180,620
Transfers out	(156)	0	(180,464)	(180,620)
Loan proceeds	3,594	0	101,859	105,453
TOTAL OTHER FINANCING SOURCES	183,902	156	(78,605)	105,453
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	84,585	0	0	84,585
FUND BALANCE, BEGINNING OF YEAR	480,204	0	0	480,204
FUND BALANCE, END OF YEAR	\$564,789	\$0	\$0	\$564,789

See accompanying notes to the financial statements.

Belmont Academy, Inc.

Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2019

Net change in Fund Balances - Total Governmental Funds	\$84,585
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$162,186) exceeds capital outlays (\$129,686) in the current period.	(32,500)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets	63,030
The construction of capital assets through a promissory note provides resources to governmental funds, while the repayment of the promissory note consumes current financial resources. This amount is the effect of these differences in the treatment of the promissory note.	(105,453)
Change in Net Position of governmental activities	<u><u>\$9,662</u></u>

See accompanying notes to the financial statements.

Belmont Academy, Inc. Internal Accounts

Statement of Fiduciary Net Position - Agency Fund
June 30, 2019

Assets	
Cash and Cash Equivalents	<u>\$37,458</u>
Total Assets	<u><u>\$37,458</u></u>
Liabilities and Net Position	
Liabilities	
Due to General Fund	95
Assets Held for Others	<u>37,363</u>
Total Liabilities	<u>37,458</u>
Net Position	
Unrestricted	<u>0</u>
Total Net Position	<u>0</u>
Total Liabilities and Net Position	<u><u>\$37,458</u></u>

See accompanying notes to the financial statements.

BELMONT ACADEMY, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

Belmont Academy, Inc (the “School”) is a not-for-profit corporation that operates under a charter approved by the sponsoring district, the District School Board of Columbia County Florida (the “District”). The governing body of the School is the not-for-profit corporation’s Board of Directors, which is composed of seven members.

The School’s financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies used by the School are discussed below.

Financial Reporting Entity

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring District. The current charter is effective until July 31, 2032. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the district may also terminate the charter if good cause is shown. The School is considered a component unit of the District and meets the definition of a governmental entity under the Governmental Accounting Standards Board (GASB) accounting guidance. Therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School’s basic financial statements are identified and described in the *GASB Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). The School is required by its agreement with the Sponsor to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the FDOE.

Basic Financial Statements – Government-wide Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of private-sector business. The Statement of Net Position and Statement of Activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The Statement of Net Position provides information about the School's financial position, its assets and liabilities, using an economic resource measurement focus. The Statement of Activities present a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient for goods and services offered by the program, grants, and contributions restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenue.

Governmental funds and fiduciary fund financial statements are excluded from the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements.

The School currently has three governmental funds and one fiduciary fund for reporting purposes.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

The General Fund is the School's primary operating fund that accounts for all financial resources of the school, except those required to be accounted for in another fund.

The Special Revenue Fund is to account for all federal grant revenues passed through the School's District.

The Capital Outlay Fund is to account for all resources that are restricted, committed, or assigned to expenditures for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of this report, the general, special revenue, and capital outlay funds are considered major funds. There are no other governmental funds.

Fiduciary Fund

The Agency Fund is to account for resources of the school internal funds, which are used to administer moneys collected in connection with the school's student athletics, class activities, and club activities.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The government activities in the government-wide financial statements are reported using the economic resources measurement focus and on the accrual basis of accounting. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The School considers revenues to be available if collected within 60 days of the end of the current fiscal year. Expenditures

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are recorded when the related fund liability is incurred. However, long-term debt service expenditures 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.

The fiduciary fund has no measurement focus but utilizes the accrual basis of accounting for reporting assets and liabilities.

Budgetary Basis of Accounting

Budgets are prepared using the modified cash basis of accounting, less the 2% administrative fee and Safe School Allocation fee that is withheld. The governing board must approve all budgets and amendments. The fund total is considered the legal level of control. Appropriations lapse at year end. Budgets may be amended by resolution of the Board prior to the date of the annual report for any cost overrun in the different departments.

Cash and Cash Equivalents

The School's cash and cash equivalents consist primarily of demand deposits with one qualified public depository. At times, such deposits may exceed the federally insured limit. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool, pursuant to Chapter 280, Florida Statutes.

The School has not experienced any losses in such accounts and does not believe it is exposed to any significant risk. As of June 30, 2019, the cash balances in the General Fund and Fiduciary Fund totaled \$580,315 and \$37,400, respectively.

Capital Assets

Capital assets, which include property, plant, equipment, and furniture, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals or betterments are capitalized. Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more and an estimated useful life in excess of one year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Depreciation has been calculated on each class of property using the straight-line method over the following estimated useful lives:

Asset	Years
Furniture, Fixtures, and Equipment	5 – 7
Improvements other than buildings	15 – 30
Buildings and Fixed Equipment	15 – 30

Net Position and Fund Balance Classifications

Government-wide Financial Statements

Equity is classified as net position and displayed in 3 components:

- Investment in capital assets, net of related debt – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, leases, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net position – consists of net asset position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- Unrestricted net position – consist of all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund Financial Statements

GASB statement No. 54 requires fund balance classifications in the following hierarchy:

- Nonspendable fund balance – this classification represents amounts for inventory, prepaid expenses, property held for resale and long term notes receivable. As of June 30, 2019, the nonspendable fund balance was zero.
- Restricted fund balance – this classification represents amounts restricted to specific purposes that are either *externally imposed by creditors, grantors, or laws and regulations of other governments; or imposed by law through constitutional provisions or enabling legislation*. This definition is the same as the definition of restricted net assets used in government-wide financial reporting. As of June 30, 2019, the restricted fund balance \$8,522 consisted mainly of funds restricted to the school playground and recognition programs.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Committed fund balance – this classification represents amounts restricted for specific purposes by formal action of the School’s highest level of decision-making authority (i.e. ordinance).
- Assigned fund balance – this classification represents amounts constrained by the School’s intent to be used for specific purposes, but are neither restricted or committed (i.e. council vote or resolution).
- Unassigned fund balance – This classification represents amounts that do not belong in any of the previous classifications, that is, the residual classification of the general fund.

The School’s policy is to expend resources in the following order: restricted, committed, assigned, and unassigned.

Interfund Balances and Transfers

The School’s interfund balances of \$95 are due to amounts previously classified as internal funds that are available for the School’s operations.

For the year ended June 30, 2019, the capital outlay fund transferred \$180,464 to the general fund for modular unit rent expenditures.

For the year ended June 30, 2019, the general fund transferred \$156 to the special revenue fund for school lunch program expenditures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Revenue Sources

Revenues for operations are received primarily from the District School Board of Columbia County, Florida pursuant to the funding provisions included in the School’s charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 2% administrative fee from the School, which is withheld from the respective FEFP payments.

The administrative expense is reflected as a general support services expense in the accompanying statement of activities and statement of revenues, expenditures and

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

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

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) the School's un-weighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the Florida 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. For the 2017-2018 school year, the School reported 449.9 un-weighted FTE.

NOTE 2 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2019, was as follows:

	Beginning of year <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	End of year <u>Balance</u>
Capital Assets Not Depreciated:				
Land	\$147,000	\$0	\$0	\$147,000
Construction in Progress	<u>122,761</u>	<u>0</u>	<u>122,761</u>	<u>0</u>
Total Capital Assets Not Depreciated	<u>269,761</u>	<u>0</u>	<u>122,761</u>	<u>147,000</u>
Capital Assets Depreciated:				
Furniture, Fixtures, & Equipment	112,595	5,708	0	118,303
Buildings and Fixed Equipment	3,406,422	232,006	0	3,638,428
Improvements Other Than Buildings	<u>223,071</u>	<u>14,731</u>	<u>0</u>	<u>237,802</u>
Total Capital Assets Depreciated	<u>3,742,088</u>	<u>252,445</u>	<u>0</u>	<u>3,994,533</u>
Less Accumulated Depreciation:				
Furniture, Fixtures, & Equipment	(71,713)	(16,732)	0	(88,445)
Buildings and Fixed Equipment	(213,740)	(137,282)	0	(351,022)
Improvements Other Than Buildings	<u>(14,602)</u>	<u>(8,172)</u>	<u>0</u>	<u>(22,774)</u>
Total Accumulated Depreciation	<u>(300,055)</u>	<u>(162,186)</u>	<u>0</u>	<u>(462,241)</u>
Total Capital Assets being Depreciated, Net	<u>3,442,033</u>	<u>90,259</u>	<u>0</u>	<u>3,532,292</u>
Total Capital Assets, Net	<u>\$3,711,794</u>	<u>\$90,259</u>	<u>\$122,761</u>	<u>\$3,679,292</u>

NOTE 2 – CAPITAL ASSETS (concluded)

Depreciation expense of \$162,186 was charged as a direct expense as follows: \$13,977 to Instructional Services, \$876 to General Support Services, and \$147,333 to Operation of Plant.

NOTE 3 – RISK MANAGEMENT PROGRAM

The School has purchased insurance to limit the exposure of the following risks of loss: theft of, damage to and destruction of assets; disasters and injuries to employees. Commercial insurance has also been purchased by the School to cover the risks of loss due to employee errors or omission. Settled claims resulting from these risks have not exceeded insurance coverage.

NOTE 4 – LEASE COMMITMENTS

The School leases various modular units under three annual operating lease agreements that are renewed annually. The total rent paid for the year ended June 30, 2019 was \$180,464.

As of June 30, 2019, future minimum annual lease payments under the three operating leases is as follows:

Year ended June 30,

2020	<u>\$ 222,984</u>
Total	<u>\$ 222,984</u>

NOTE 5 – LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations for the year ended June 30, 2019:

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 6/30/2019</u>	<u>Due Within One Year</u>
Notes Payable	<u>\$3,001,031</u>	<u>\$105,453</u>	<u>\$63,032</u>	<u>\$3,043,452</u>	<u>\$296,397</u>
Long Term Liabilities	<u>\$3,001,031</u>	<u>\$105,453</u>	<u>\$63,032</u>	<u>\$3,043,452</u>	<u>\$296,397</u>

NOTE 5 – LONG-TERM OBLIGATIONS (concluded)

Notes Payable

In November 2016, the School purchased the facility and land through a \$2,970,000 note payable from a local financial institution. Terms of the note include monthly installments of \$18,054, including interest equal to 4% over the U.S. Treasury Security Five Year Rate adjusted every five years beginning November 1, 2021 (5.32% as of June 30, 2019). The note is collateralized by the facility and land. Final payment of principle and interest is due November 1, 2041.

\$2,813,452

In June 2018, the School obtained a \$230,000 construction note payable from a local financial institution. The proceeds of the note were used towards the construction of the new robotics classroom facility. Terms of the note include interest only payments at 6.4% per annum, due the twenty-fifth of each calendar month, final payment of principle and interest is due May 25, 2020.

230,000

Total Notes Payable

\$3,043,452

As of June 30, 2019, the scheduled payments for the next 5 years and thereafter is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$296,397	\$163,752	\$460,149
2021	70,072	146,584	216,656
2022	73,950	142,706	216,656
2023	78,042	138,614	216,656
2024	82,362	134,295	216,657
2025-2029	485,436	597,845	1,083,281
2030-2034	635,473	447,808	1,083,281
2035-2039	831,882	251,398	1,083,280
2040-2042	<u>489,838</u>	<u>33,747</u>	<u>523,585</u>
Total	<u>\$3,043,452</u>	<u>\$2,056,749</u>	<u>\$5,100,201</u>

NOTE 6 – PENSION PLAN

The School maintains a 401(k) defined contribution pension plan. All eligible employees may participate in the plan. Eligibility requirements are described as, attainment of age 21 and completion of 3 consecutive months of employment.

The school currently elects to match the employees' contribution, up to 3.3% of their salary. The School made matching contributions of \$32,725 during the year ended June 30, 2019.

NOTE 7 – INCOME TAXES

The School is a not-for-profit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, and classified by the Internal Revenue Service as other than a private foundation.

The School files income tax returns in the U.S. federal jurisdiction. The School is no longer subject to U.S. federal income tax examinations by tax authorities for years before 2015.

The School has reviewed and evaluated for relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

NOTE 8 – COMMITMENTS AND SUBSEQUENT EVENTS

In June 2019, the School entered into a contract for automatic gates and fencing installation. As of June 30, 2019, the uncompleted balance of the contract is \$39,043.

The School has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 25, 2019 the date the financial statements were available. The following subsequent events were identified.

In August 2019, the School obtained a \$67,000 note payable from a local financial institution, collateralized by a timed certificate of deposit. The note payable is providing financing for the installation of the automatic gates and fencing project.

In August 2019, the School signed an \$18,500 contract for school facility growth engineering services that includes preparation of site plans for expansion of existing paved roadways, parking areas, drainage, and features to accommodate the addition of approximately 25,000 square feet of new classroom buildings. The School also signed an \$8,050 contract for construction oversight of the school facility growth project.

NOTE 8 – COMMITMENTS AND SUBSEQUENT EVENTS (concluded)

In August 2019, the School signed a \$4,300 traffic engineering study contract.

In September 2019, the School entered into a \$24,812 contract for the construction of fence and gates for the School's playground.



Supplemental Schedules

Belmont Academy, Inc.

General Fund
 Budgetary Comparison Schedule (Unaudited) - Modified Cash Basis
 For the year ended June 30, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Florida education finance program	\$3,265,270	\$3,332,000	\$3,255,991	(\$76,009)
Gifts and donations	0	3,000	2,741	(259)
Other state revenue	63,139	97,000	170,540	73,540
Other local revenue	48,010	66,350	60,232	(6,118)
TOTAL REVENUES	3,376,419	3,498,350	3,489,504	(8,846)
EXPENDITURES				
Current:				
Instructional services	2,215,667	2,323,160	2,277,050	46,110
Instructional support services	151,591	126,600	119,468	7,132
General support services				
Board	43,988	50,500	49,179	1,321
School administration	359,046	412,796	392,862	19,934
Fiscal services	0	20,600	20,231	369
Central services	0	20,600	20,200	400
Student transportation services	7,500	0	0	0
Operation of Plant	447,795	484,500	470,024	14,476
Administrative technology services	10,164	10,000	9,877	123
Community services	0	0	0	0
Capital Outlay:				
Instructional services	0	0	0	0
General support services	0	0	0	0
Operation of plant	0	0	0	0
Debt Service	229,855	231,000	217,455	13,545
TOTAL EXPENDITURES	3,465,606	3,679,756	3,576,346	103,410
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(89,187)	(181,406)	(86,842)	94,564
OTHER FINANCING SOURCES				
Transfers in	12,000	0	0	
Transfers out	0	0	156	
Loan Proceeds	0	105,453	105,453	105,453
TOTAL OTHER FINANCING SOURCES	12,000	105,453	105,297	105,453
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	(77,187)	(75,953)	18,455	200,017
FUND BALANCE, BEGINNING OF YEAR	614,399	614,399	614,399	
FUND BALANCE, END OF YEAR	\$537,212	\$538,446	\$632,854	

See accompanying notes to the financial statements.

Belmont Academy, Inc.

General Fund - Reconciliation of the Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2019

REVENUES:

Total actual revenues as reported on the budgetary comparison schedule	\$3,489,504
Differences	
Budgeted revenues are reduced by the Sponsor's administrative fee that is reported as a revenue on the statement of revenues, expenditures, and changes in fund balance	33,632
Budgeted revenues are reduced by the Safe School Allocation fee that is reported as revenue on the statement of revenues, expenditures, and changes in fund balance	<u>37,911</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balance	<u><u>\$3,561,047</u></u>

EXPENDITURES:

Total actual expenditures as reported on the budgetary comparison schedule	\$3,576,346
Differences	
Budgeted expenditures do not include accrued interest on the note payable that is reported as an expenditure on the statement of revenues, expenditures, and changes in fund balance	12,475
Budgeted expenditures do not include the Sponsor's administrative fee that is reported as an expenditure on the statement of revenues, expenditures, and changes in fund balance	33,632
Budgeted expenditures do not include the Safe School Allocation fee that is reported as an expenditure on the statement of revenues, expenditures, and changes in fund balance	<u>37,911</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balance	<u><u>\$3,660,364</u></u>

See accompanying notes to the financial statements.

Belmont Academy, Inc.

Special Revenue Fund
Budgetary Comparison Schedule (Unaudited) - Modified Cash Basis
For the year ended June 30, 2019

	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL		
REVENUES				
Federal through state				
Title II	60,275	44,000	43,313	(687)
School Lunch Program	60,000	145,000	144,084	(916)
TOTAL REVENUES	<u>120,275</u>	<u>189,000</u>	<u>187,397</u>	<u>(1,603)</u>
EXPENDITURES				
Current:				
Instructional services	24,500	24,500	24,134	366
Instructional support services	19,500	19,500	19,180	320
General support services				
Food services	72,304	146,304	144,239	2,065
TOTAL EXPENDITURES	<u>116,304</u>	<u>190,304</u>	<u>187,553</u>	<u>2,751</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	3,971	(1,304)	(156)	1,148
OTHER FINANCING SOURCES				
Transfers in	0	0	156	156
TOTAL OTHER FINANCING SOURCES	<u>0</u>	<u>0</u>	<u>156</u>	<u>156</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	3,971	(1,304)	0	1,304
FUND BALANCE, BEGINNING OF YEAR	<u>0</u>	<u>0</u>	<u>0</u>	
FUND BALANCE, END OF YEAR	<u>\$3,971</u>	<u>(\$1,304)</u>	<u>\$0</u>	

See accompanying notes to the financial statements.

**Additional Elements Required by the Rules of the Auditor
General, *Government Auditing Standards***

REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O Box 307 • 134 East Call Street • Starke, Florida 32091
Phone (904) 964-7555 • Fax (904) 964-3887
www.reddishandwhite.com

MANAGEMENT LETTER

To the Board of Directors of Belmont Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Columbia County, Florida

Report on the Financial Statements

We have audited the financial statements of Belmont Academy, Inc. (the "School"), as of and for the year ended June 30, 2019, and have issued our report, thereon dated September 25, 2019.

Auditor's Responsibility

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, and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in this report, which are dated September 25, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Belmont Academy, Inc and 12-0402.

Financial Condition and Management

Section 10.854(1)(e)2. and 10855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not Belmont Academy, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that Belmont Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Section 10.854(1)(e)6a. and 10.855(12). Rules of the Auditor General, we applied financial condition assessment procedures for Belmont Academy, Inc. It is management's responsibility to monitor Belmont Academy, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material, but which warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of this Letter

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

Reddish & White, CPAs

Starke, Florida
September 25, 2019

REDDISH & WHITE

CERTIFIED PUBLIC ACCOUNTANTS

P.O Box 307 • 134 East Call Street • Starke, Florida 32091

Phone (904) 964-7555 • Fax (904) 964-3887

www.reddishandwhite.com

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

To the Board of Directors of Belmont Academy, Inc.,
a Charter School and Component Unit of the District
School Board of Columbia County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and major funds of Belmont Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Columbia County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of School's internal control.

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

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

Compliance and Other Matters

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

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reddish + White CPA'S

Starke, Florida
September 25, 2019

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 25, 2019

To the Board of Directors
Belmont Academy, Inc.
Lake City, Florida

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Belmont Academy, Inc. for the year ended June 30, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated May 3, 2019. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Belmont Academy, Inc. are described in note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2019. We noted no transactions entered into by Belmont Academy, Inc. during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting Belmont Academy, Inc.'s financial statements was:

Management's estimate of the useful lives of the fixed assets is based on historical data. We evaluated the key factors and assumptions used to develop the useful lives of the fixed assets in determining that is reasonable in relation to the financial statements taken as a whole.

The financial statements disclosures are neutral, consistent, and clear.

Difficulties Encountered During the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements which were primarily to convert your accounting records from the cash basis to the accrual basis.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 25, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the government unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that

the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the government unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management Discussion and Analysis, and budgetary comparison information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the council members and management of Belmont Academy, Inc. and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Reddish + White, CPA'S