

BISCAYNE MYCROSCHOOL, INC.  
d/b/a Biscayne High School  
(A component unit of the District  
School Board of Duval County, Florida)

FINANCIAL STATEMENTS  
(Audited)

For the year ended June 30, 2019

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**

**TABLE OF CONTENTS**

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-6
Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Balance Sheet – Governmental Funds	9
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	11
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	12
Notes to Financial Statements	13-26
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	27
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual - Federal Grants Fund	28
Schedule of the Proportionate Share of Net Pension Liability – Florida Retirement System and Health Insurance Subsidy Program	29
Schedule of the Pension Contributions – Florida Retirement System and Health Insurance Subsidy Program	30
Other Reports:	
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 <i>Government Auditing Standards</i>	31-32
Management Letter	33
Auditors' Comments	34
Management Response Letter	35

# HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS  
601 NORTH FERN CREEK  
SUITE 200  
ORLANDO, FLORIDA 32803

(407) 894-6803  
(407) 896-3044 FAX

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ASSOCIATION OF  
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA  
THOMAS F. REILLY, CPA

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Biscayne MYcroSchool, Inc.  
d/b/a Biscayne High School

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Biscayne MYcroSchool, Inc., d/b/a Biscayne High School ("the School"), a component unit of the District School Board of Duval 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 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 an opinion 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 of 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 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 and each major fund of Biscayne High School, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matter***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 to 6, budgetary comparison information on pages 27 and 28, schedules of proportionate share of net pension liability – Florida Retirement System and Health Insurance Subsidy Program on page 29, and schedules of pension contributions – Florida Retirement System and Health Insurance Subsidy Program on page 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 any assurance.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Orlando, FL  
November 20, 2019

MANAGEMENT'S DISCUSSION  
AND ANALYSIS  
(MD&A)

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

As management of Biscayne MYcroSchool, Inc. d/b/a Biscayne High School (“the School”), a component unit of the School District of Duval County, Florida, we offer readers of the School’s basic financial statements, this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2019.

Management’s discussion and analysis is included at the beginning of the School’s basic financial statements to provide, in layman’s terms, the past and current position of the School’s financial condition. This summary does not replace the audit, which consists of the basic financial statements and other supplementary information.

#### FINANCIAL HIGHLIGHTS

Our basic financial statements provide these insights into the results of this year’s operations.

- In the government-wide statements, the School incurred an excess of revenues over expenses of \$77,473, increasing net position from \$187,188 to \$264,661.
- In the governmental funds statements, the School incurred an excess of revenues over expenditures of \$245,621, increasing fund balance from (\$13,559) to \$232,062.
- The School was officially admitted into the Florida Retirement System (Note 4) on September 29, 2017. Consequently, the School recorded a net pension liability of \$401,064, along with related deferred outflows of resources of \$385,810 and deferred inflows of resources of \$35,940 at June 30, 2019.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School’s basic financial statements. The School’s basic financial statements are comprised of three components: 1) government-wide basic financial statements, 2) fund basic financial statements, and 3) notes to the basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

##### Government-Wide Basic Financial Statements

The government-wide basic financial statements are designed to provide readers with a broad overview of the School’s finances in a manner similar to a private sector business.

The statement of net position presents information on all of the School’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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 is improving or deteriorating.

The statement of activities presents information showing how the School’s net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

The government-wide basic financial statements include all governmental activities principally supported by grants and entitlements from the state for full-time equivalent funding. The School has no business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund Basic Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the basic government-wide financial statements. However, unlike the government-wide basic financial statements, governmental fund basic financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide basic financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide basic financial statements. By doing so, the reader may better understand the long-term impact of the School's near-term financing decisions. The reconciliations of the governmental funds balance sheet to the statement of net position (page 10) and the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities (page 12) facilitate the comparison between governmental funds and governmental activities.

The School maintains three governmental funds, the General Fund, Federal Grants Fund, and Capital Outlay Fund. Information is presented in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the three funds.

The governmental funds financial statements are found on pages 9 and 11 of this report.

The School adopts an annual budget for the General and Federal Grants Funds. Budgetary comparison statements are provided on pages 27 and 28 for the General and Federal Grants Funds to demonstrate compliance with the budgets.

Notes to Basic Financial Statements

The notes provide additional information essential for a full understanding of the data provided in the government-wide and fund basic financial statements. The notes to basic financial statements are found on pages 13 through 26 of this report.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table shows a comparison of the net position for the current and previous year.

	June 30,	
	2018	2019
Current assets	\$ 134,417	\$ 291,370
Capital assets, net	338,690	255,738
Other assets	12,120	12,120
Total assets	485,227	559,228
Deferred outflows	24,956	385,810
Total assets and deferred outflows	\$ 510,183	\$ 945,038
Current liabilities	(160,096)	(71,428)
Noncurrent liabilities	(162,899)	(573,009)
Deferred inflows	-	(35,940)
Net position	\$ 187,188	\$ 264,661

The results of the operations for the School as a whole are reported in the statement of activities on page 8. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2018 and 2019.

	Year Ended June 30,	
	2018	2019
Revenues:		
General revenues:		
State and federal	\$ 992,218	\$ 1,288,553
Other revenues	1,515	21,163
Program revenues	63,002	96,095
	1,056,735	1,405,811
Expenses:		
Instruction	439,022	473,712
Pupil personnel services and instructional support	143,336	64,904
School board	15,664	16,562
School administration	304,612	394,317
Facilities acquisition and construction	135,341	127,509
Fiscal services	24,492	58,496
Transportation services	8,044	11,792
Plant operations and maintenance	114,918	98,095
Depreciation	123,681	82,951
	1,309,110	1,328,338
Change in net position	\$ (252,375)	\$ 77,473



**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
June 30, 2019

**GOVERNMENTAL FUND EXPENDITURES**

The following table presents the cost of the largest functions/programs as a percentage of total governmental expenditures:

	<b>2018</b>		<b>2019</b>	
	<u>Expenditures</u>	<u>%</u>	<u>Expenditures</u>	<u>%</u>
Governmental Expenditures				
Instructional	\$ 415,190	36.9%	\$ 438,653	37.9%
Pupil personnel services and instructional support	91,890	8.2%	62,800	5.4%
School board	15,664	1.4%	16,562	1.4%
School administration	323,381	28.7%	342,657	29.5%
Facilities acquisition and construction	137,848	12.3%	131,515	11.3%
Plant operations and maintenance	114,391	10.2%	98,060	8.5%
Other expenditures	27,348	2.3%	69,943	6.0%
	<u>\$ 1,125,712</u>	<u>100.0%</u>	<u>\$ 1,160,190</u>	<u>100.0%</u>

Reductions in pupil personnel services and plant operations were a necessary response to a temporary revenue decline.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

The School neither acquired nor disposed of any capital assets.

*Debt Administration*

In the year ended June 30, 2019, the School had no long-term debt obligations. However, the School did incur a \$401,064 net pension liability as a consequence of entering the Florida Retirement System (Note 4).

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Total revenues were favorable to the budget by \$30,063. The favorable budget was due to an increase in State funding and the refund of prior year's State sales taxes.

Total expenditures were favorable to the budget by \$120,614 mainly due to budgeting capital outlay expenditures in the General Fund, while the actual expenditures were recorded in the Capital Outlay Fund.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

FEFP base funding per student will increase by \$263.77 or 3.59% in FY 2020 as compared to FY 2019.

All these factors were considered in preparing the FY 2020 budget.

**REQUESTS FOR INFORMATION**

If you have any questions about this report or need additional information, please write to NEWCorp at 2611 Temple Heights Drive, Suite A, Oceanside, CA 92056.

## BASIC FINANCIAL STATEMENTS

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**STATEMENT OF NET POSITION**  
**June 30, 2019**

**Assets**

Cash	\$ 236,290
Due from sponsoring School District	29,046
Prepaid expenses	26,034
Capital assets, net of accumulated depreciation	255,738
Deposits	<u>12,120</u>
Total assets	559,228

**Deferred outflows of resources**

385,810

Total assets and deferred outflows of resources

\$ 945,038

**Liabilities**

Payroll deductions and withholdings	373
Due to management company	177,225
Due to sponsoring School District	2,019
Accrued sick leave	30,357
Accrued rent	33,399
Net pension liability - proportionate share	<u>401,064</u>
Total liabilities	<u>644,437</u>

**Deferred inflows of resources**

35,940

**Net Position**

Net investment in capital assets	255,738
Unrestricted	<u>8,923</u>
	<u>264,661</u>

Total liabilities, deferred inflows of resources, and net position

\$ 945,038

See accompanying notes.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**STATEMENT OF ACTIVITIES**  
**for the year ended June 30, 2019**

Functions/Programs	Expenses	Program Revenues			Net (Expenses)
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenues and Changes in Net Position
Governmental Activities	Expenses	Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Instruction	\$ 473,712	\$ -	\$ -	\$ -	\$ (473,712)
Pupil personnel services	2,370	-	-	-	(2,370)
Instructional media services	1,180	-	-	-	(1,180)
Instruction and curriculum development services	14,776	-	-	-	(14,776)
Instructional staff training	20,608	-	-	-	(20,608)
Instructional technology	25,970	-	-	-	(25,970)
School Board	16,562	-	-	-	(16,562)
General administration	74,736	-	-	-	(74,736)
School administration	302,570	-	-	-	(302,570)
Facilities acquisition and construction	127,509	-	-	96,095	(31,414)
Fiscal services	58,496	-	-	-	(58,496)
Central services	16,286	-	-	-	(16,286)
Transportation services	11,792	-	-	-	(11,792)
Operation of plant	94,975	-	-	-	(94,975)
Maintenance of plant	3,120	-	-	-	(3,120)
Administrative technology	725	-	-	-	(725)
Depreciation	82,951	-	-	-	(82,951)
Total governmental activities	\$ 1,328,338	\$ -	\$ -	\$ 96,095	(1,232,243)
 <b>General Revenues</b>					
Federal and State revenues					1,288,553
Miscellaneous					21,163
					1,309,716
Change in net position					77,473
Net position, beginning of year					187,188
Net position, end of year					\$ 264,661

See accompanying notes.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2019**

	<b>Governmental Funds</b>			
	<b>General Fund</b>	<b>Federal Grants Fund</b>	<b>Capital Outlay Fund</b>	<b>Total Funds</b>
<b>Assets</b>				
Cash	\$ 236,290	\$ -	\$ -	\$ 236,290
Due from other agencies	21	12,604	16,421	29,046
Deposits	12,120	-	-	12,120
Due from other funds	29,025	-	-	29,025
Prepaid items	26,034	-	-	26,034
Total assets	\$ 303,490	\$ 12,604	\$ 16,421	\$ 332,515
<b>Liabilities</b>				
Payroll deductions and withholdings	373	-	-	373
Due to other funds	-	12,604	16,421	29,025
Due to other agencies	2,019	-	-	2,019
Due to management company	69,036	-	-	69,036
Total liabilities	71,428	12,604	16,421	100,453
<b>Fund Balances</b>				
Nonspendable	38,154	-	-	38,154
Unassigned	193,908	-	-	193,908
	232,062	-	-	232,062
Total liabilities and fund balances	\$ 303,490	\$ 12,604	\$ 16,421	\$ 332,515

See accompanying notes.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS**  
**BALANCE SHEET TO THE STATEMENT OF NET POSITION**  
**June 30, 2019**

Total Fund Balance - Governmental Funds	\$	232,062
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
Cost of capital assets	\$ 1,017,277	
Accumulated depreciation	<u>(761,539)</u>	255,738
<p>Deferred outflows/inflows are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources	385,810	
Deferred inflows of resources	<u>(35,940)</u>	349,870
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Accrued sick leave	(30,357)	
Accrued rent	(33,399)	
Net pension liability	(401,064)	
Accrued management fee	<u>(108,189)</u>	<u>(573,009)</u>
Total Net Position - Governmental Activities	\$	<u><u>264,661</u></u>

See accompanying notes.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**for the year ended June 30, 2019**

	<b>Governmental Funds</b>			
	<b>General Fund</b>	<b>Federal Grants Fund</b>	<b>Capital Outlay Fund</b>	<b>Total</b>
<b>Revenues</b>				
Federal through State	\$ -	\$ 18,227	\$ -	\$ 18,227
State	1,270,326	-	96,095	1,366,421
Local	21,163	-	-	21,163
Total revenues	<u>1,291,489</u>	<u>18,227</u>	<u>96,095</u>	<u>1,405,811</u>
<b>Expenditures</b>				
Instruction	425,313	13,340	-	438,653
Pupil personnel services	2,286	-	-	2,286
Instructional media services	1,138	-	-	1,138
Instruction and curriculum development services	14,250	-	-	14,250
Instructional staff training	15,935	4,148	-	20,083
Instructional technology	25,043	-	-	25,043
School Board	16,562	-	-	16,562
General administration	73,772	739	-	74,511
School administration	251,598	-	-	251,598
Facilities acquisition and construction	31,539	-	99,976	131,515
Fiscal services	58,151	-	-	58,151
Central services	15,841	-	-	15,841
Transportation services	11,792	-	-	11,792
Operation of plant	94,958	-	-	94,958
Maintenance of plant	3,102	-	-	3,102
Administrative technology	707	-	-	707
Total expenditures	<u>1,041,987</u>	<u>18,227</u>	<u>99,976</u>	<u>1,160,190</u>
Excess (deficiency) of revenues over expenditures	249,502	-	(3,881)	245,621
Fund balances, beginning of year as previously reported	(24,897)	7,457	3,881	(13,559)
Prior period adjustment (See Note 7)	7,457	(7,457)	-	-
Fund balances, beginning of year as adjusted	<u>(17,440)</u>	<u>-</u>	<u>3,881</u>	<u>(13,559)</u>
Fund balances, end of year	<u>\$ 232,062</u>	<u>\$ -</u>	<u>\$ -</u>	<u>232,062</u>

See accompanying notes.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**for the year ended June 30, 2019**

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	245,621
<p>Amounts reported in governmental activities in the  Statement of Activities are different because:</p>		
<p>This is the amount by which depreciation exceeds capital outlays</p>		
Depreciation expense		(82,951)
<p>Governmental funds report pension contributions as expenditures.  However, in the Statement of Activities, the calculated pension  expense is less than the employer pension contribution and  therefore increased net position</p>		
Deferred outflows of resources	\$ 360,854	
Deferred inflows of resources	<u>(35,940)</u>	324,914
<p>Certain expenditures not recorded in the governmental  funds are recorded as expenses in the statement of activities</p>		
Net pension accrual	(401,064)	
Reversal of rent payable in future periods recorded as an accrued liability in the government-wide statements	4,007	
Accrued management fee	(4,659)	
Accrued sick leave	<u>(8,395)</u>	<u>(410,111)</u>
<b>Change in Net Position of Governmental Activities</b>	\$	<u><u>77,473</u></u>

See accompanying notes.



**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies**

Background and Organization – Biscayne MYcroSchool, Inc. (formerly known as Florida High School for Accelerated Learning – Greater Jacksonville, Inc.) d/b/a Biscayne High School (“the School”), (a component unit of the District School Board of Duval County, Florida) is part of the Florida system of public education under the general direction of the Florida Department of Education (Department). The School was incorporated as a Florida not-for-profit corporation in July 2011, and commenced operations as a charter school in August 2013. It was granted a charter to operate a high school, including grades nine to twelve, by the District School Board of Duval County, Florida (“the District”) in May 2012. In March 2018, the School changed its legal name to Biscayne MYcroSchool, Inc.

The School is primarily funded through state-wide Florida Education Finance Program (FEFP) funding received by the District and passed through to the School.

The School has developed a philosophy of recognizing and rewarding each student as an individual. Therefore the educational program, goals and objectives, and methods of accountability toward the objectives, must be set according to the situation of each individual student.

The School has selected a self-paced, mastery based, accelerated learning program as the model to implement this philosophy. The goal of the School is to provide a school program and educational opportunities to students who might not be suited for traditional schools. These students include, but are not limited to, drop-outs or those in danger of dropping out, students needing more remedial support or individual instruction than can be obtained in a traditional high school, and students with family or other situations that prevent attendance at regularly scheduled programs in traditional high schools.

A Board of Directors (“the Board”) governs the School, and the School has retained a management company to operate the School.

Reporting Entity - The School operates under a charter granted by the District. Its charter is effective until June 30, 2021, and may be renewed in increments of five years by mutual written agreement between the School and the District. The School is eligible for a 15-year renewal if it shows exemplary academic programming and fiscal management. 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 ninety days prior to the expiration of the charter. The District may also terminate the charter immediately if good cause is shown or if the District believes that the health, safety or welfare of the students is threatened. In the event the School is dissolved or terminated, any public unencumbered funds and all school property purchased with public funds automatically revert to the District. The School is considered a component unit of the District School Board of Duval County, Florida because it is fiscally dependent on and financially accountable to the District. The School had no component units itself because it has no subsidiary or fiscally dependent organizations.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies – continued**

Basis of Presentation Type of Entity Presented - Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Not-for-Profit Organizations* and provisions of Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes and not as a not-for-profit organization.

The School is required by contract with the District to use the governmental reporting model and follow the fund and account structure provided in the “Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book” issued by the Florida Department of Education.

Financial Statements Presented - 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). All of the School’s activities are classified as governmental activities.

Basis of Presentation - Government-wide Financial Statements - The statement of net position and the statement of activities display information about the School as a whole. In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual economic resource basis, which recognizes all noncurrent assets and receivables as well as all non-current debt and obligations. This approach differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements are followed by a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities reports both the gross and net cost of each of the School’s functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation, if applicable) by related program revenues, operating and capital grants, and contributions. The effect of interfund activities has been removed from these statements. Program revenues must be directly associated with the function. Program revenues include charges for services for goods and services provided to participants on a voluntary basis. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the School.

The government-wide financial statements focus on the School’s ability to sustain itself and the change in its net position resulting from the current year’s activities.

Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies – continued**

Basis of Presentation – Fund Financial Statements - The accounts of the School are organized on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the fund financial statements in this report, into fund types as follows:

Fund Accounting - Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School has three major governmental funds.

General Fund – accounts for all financial activities of the School not required to be accounted for in another fund and for certain revenues from Federal and State sources that are not legally restricted to be expended for specific current operating purposes.

Federal Grants Fund – is a special revenue fund used to account for financial resources associated with federal grants that are restricted to operational uses.

Capital Outlay Fund – is a capital projects fund used to account for financial resources (Public Education Capital Outlay) used for acquisition or funding of major capital facilities or equipment.

Measurement Focus - The accounting and reporting treatment applied to the financial statements is determined by its measurement focus.

The government-wide financial statements use the economic resources measurement focus, which means that all assets and liabilities, whether current or non-current, are included.

Governmental funds are accounted for on a “spending” or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on the balance sheet. Governmental fund type operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of Accounting - Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental activity in the government-wide financial statements is presented on the full accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies – continued**

The governmental funds are accounted for using the modified accrual basis of accounting, under which revenues are recognized when they become both measurable and available as net current assets. 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 School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures are generally recorded when a liability is incurred as under accrual accounting. However, expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due.

Net Position and Fund Balances - Both the government-wide financial statements and the fund financial statements divide the residual equity shown on the financial statements into categories as follows:

Government-wide Financial Statements - Net position is classified into categories as follows:

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

Restricted net position - consists of net position with constraints placed on its 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 - indicates that portion of net position that is available to fund future operations.

Fund Financial Statements – Fund balances are classified into categories as follows:

GASB Statement 54 established fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed on the use of the resources reported in governmental funds. These classifications reflect not only the nature of the funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance classifications are as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements. Nonspendable fund balances pertain to prepaid items and security deposits.

Restricted – amounts constrained for specific purposes which are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments. The School had no restricted fund balances at June 30, 2019.

Committed – amounts to be used only for specific purposes pursuant to constraints imposed by formal action by the School’s highest level of decision-making authority. The School’s Board of Directors addresses these commitments through formal board action prior to the School’s fiscal year end. The School had no committed fund balance amounts at June 30, 2019.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies – continued**

Assigned – amounts intended to be used for specific purposes and are considered neither restricted nor committed. Assignments can be made by the Board. The School had no assigned fund balance amounts at June 30, 2019.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balances may also include negative fund balances for any other governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless prohibited by legal document or contract. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts.

The School has no formal minimum fund balance policy, nor has it established any stabilization arrangements within fund balances.

Budget and Budgetary Accounting - The School prepares its budget utilizing the modified accrual basis of accounting. The schedule of revenues, expenditures, and changes in fund balances - actual compared to budget uses the budget adopted by the School.

Use of Unrestricted versus Restricted Resources - It is the School's policy to use restricted resources before using unrestricted resources when both are available to pay expenses.

Cash - Cash consists of demand deposit accounts at June 30, 2019. For financial reporting purposes, cash includes all demand deposits, savings and money market accounts, and certificates of deposits with maturities of less than 90 days from June 30, 2019.

Capital Assets – School-owned capital assets consist of computers, office furniture, equipment, and leasehold improvements. Capital assets purchased in the governmental funds are recorded as expenditures at time of purchase. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital assets are defined as assets with a cost of \$1,000 or more. Donated capital assets are recorded at acquisition value at the date of donation. Depreciation is provided on capital assets as a direct charge using the straight-line method over three to five-year estimated useful lives. Leasehold improvements are amortized over the term of the lease.

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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and is not currently recognized as an outflow of resources (expense).

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, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and is not currently recognized as an inflow of resources (revenue).

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies – continued**

State Revenue Sources - Revenue from State sources for current operations arise primarily from the Florida Education Finance Program (FEFP) administered by the Florida Department of Education under the provisions of Section 1011.60, Florida Statutes. In accordance with this law, the Board determines and reports the number of full-time equivalent (FTE) students and related data to the Department.

The Department performs certain edit checks on the reported number of FTEs and related data and calculates the allocation of funds to the School. The School is permitted to amend its original reporting for a period of one year after the date of the original reporting. Such amendments may impact funding allocations for subsequent years. The Department may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The State provides financial assistance to administer certain categories of educational programs. Florida Department of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. The Department generally requires that categorical educational program revenues be accounted for in the General Fund.

Revenue recognition and District Administrative Fee – The District remits funds to the School on a monthly basis. Revenue is recognized when the District allocates and remits funds to the School's account.

The State allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Florida Department of Education.

As noted above, per student funding is provided by the state-wide Florida Education Finance Program (FEFP) through the District. The District may withhold only up to a 5% administrative fee for enrollment up to and including 250 students. For charter schools with a population of 251 or more students, the difference between the total administrative fee calculated on total enrollment and the amount of the administrative fee withheld may be used only for capital outlay purposes. This funding is received on a pro-rata basis over a twelve-month period and is adjusted for changes in full-time equivalent (FTE) student population. During the year ended June 30, 2019, the School's student population did not exceed 250.

Compensated absences – The School grants eligible employees sick leave under contractual provisions. Unused sick leave may be used as time off or accrued up to a prescribed maximum allowable rate.

Estimates – The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts and disclosures. Actual results may differ from those estimates.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**1. Summary of Significant Accounting Policies – continued**

Income taxes - The School is a not-for-profit corporation whose revenue is derived primarily from other governmental entities. It is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Accordingly, no provision for federal and state income taxes is recorded in the financial statements.

**2. Cash**

At June 30, 2019, the carrying amount of demand deposits and cash on hand totaled \$236,290. As State of Florida Statutes and the School’s policy require, all cash is held at financial institutions approved by the State Treasurer to hold public deposits in accordance with the “Florida Security for Public Deposits Act”, Chapter 280 Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity’s funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depository to the State Treasurer is defined by the statute. In the event of a failure of any member in the pool, the Public Deposit Security Trust Fund has a procedure whereby the remaining member institutions would be responsible for covering any resulting losses. Since the School’s deposits are held in a qualified public depository, they are covered by the collateral pool as the School had identified itself as a public entity at June 30, 2019.

The School maintains its cash accounts with one financial institution. As of June 30, 2019, the School had no uninsured balances with that financial institution.

**3. Capital assets**

	Balance July 1, 2018	<u>Increases</u>	<u>Decreases</u>	Balance June 30, 2019
Capital assets being depreciated				
Furniture, fixtures and equipment	\$ 367,320	\$ -	\$ -	\$ 367,320
Leasehold improvements	649,957	-	-	649,957
	<u>1,017,277</u>	<u>-</u>	<u>-</u>	<u>1,017,277</u>
Less accumulated depreciation for				
Furniture, fixtures and equipment	342,885	17,956	-	360,841
Leasehold improvements	335,703	64,995	-	400,698
	<u>678,588</u>	<u>82,951</u>	<u>-</u>	<u>761,539</u>
Total capital assets, net	<u>\$ 338,689</u>	<u>\$ (82,951)</u>	<u>\$ -</u>	<u>\$ 255,738</u>

Depreciation was charged to functions as follows:

Unallocated Depreciation	<u>\$ 82,951</u>
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**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Employee Retirement Plan**

The Florida Retirement System (FRS) was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. 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 any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the School are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121, 122, 112, (Part IV), and 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. The 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 the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' website.

The School received its acceptance notification to the Florida Retirement System (FRS) on September 29, 2017. The effective start of the plan was May 1, 2017; however, employee participation is calculated from a September 1, 2016 start date.

The School participates in the FRS and in the HIS. At year end, the District's pension expense was calculated using the effective FRS and HIS rates multiplied by the employees' salaries. The School's relevant information was obtained from the Florida Department of Management Services' website for entities reporting as of June 30, 2019. The School incorporated into these financial statements' requisite information as of June 30, 2018 (the last actuarial report available) to report a pension liability (\$401,064), deferred outflows (\$385,810), and deferred inflows (\$35,940) for the School as of June 30, 2019.

*Contributions*

The School is required to contribute at an actuarily determined rate. The contribution requirements of plan members and the School are established and may be amended by the Florida Legislature. Employees are required to contribute 3% of their salaries to the FRS. The School's FRS and HIS contribution rates for the year ended June 30, 2019, were as follows:

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Regular Employees	6.6%	1.66%	8.26%

The School's contributions for FRS and HIS for the year ended June 30, 2019 was \$26,904.



**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Employee Retirement Plan – continued**

*Pension Liabilities and Pension Expense*

At June 30, 2019, the School reported a liability for its proportionate share of the net pension liability. The net pension liability for the FRS Pension Plan was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation dated June 30, 2018. The HIS program valuation is updated biannually and the most recent actuarial valuation was prepared as of July 1, 2018. The School's proportion of the net pension liability was based on the School's share of contributions to the pension plan relative to the contributions of all participating entities, actuarially determined.

	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
Net pension liability at June 30, 2019	\$ 263,759	\$ 137,305	\$401,064
Proportion at:			
June 30, 2018	0%	0%	
June 30, 2019	0.000875678%	0.001297275%	
Pension expense, year ended			
June 30, 2019	\$ 74,536	\$ 28,518	\$103,054

*Deferred Outflows/Inflows of Resources Related to Pensions*

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

	<u>FRS</u>		<u>HIS</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,344	\$ (811)	\$ 2,102	\$ (233)
Changes in assumptions	86,184	-	15,270	(14,517)
Net difference between projected and actual earnings on pension plan investments	-	(20,379)	83	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	131,745	-	106,131	-
School contribution made subsequent to the measurement date	16,591	-	5,360	-
Total	<u>\$ 256,864</u>	<u>\$ (21,190)</u>	<u>\$ 128,946</u>	<u>\$ (14,750)</u>

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Employee Retirement Plan – continued**

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

Year ending June 30,	FRS <u>Expense</u>	HIS <u>Expense</u>
2020	\$ 84,882	\$ 76,013
2021	57,928	75,732
2022	8,077	53,056
2023	38,573	11,916
2024	25,792	(73,969)
Thereafter	<u>3,831</u>	<u>(33,912)</u>
Total	<u>\$219,083</u>	<u>\$ 108,836</u>

*Actuarial Assumptions*

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

	<u>FRS</u>	<u>HIS</u>
Inflation	2.60%	2.60%
Payroll growth	3.25%	3.25%
Investment rate of return	7.00%	N/A

Mortality assumptions for both plans were based on the Generational RP-2000 with Projections Scale BB tables. Actuarial assumption for both cost-sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent actuarial valuation for the HIS Program was July 1, 2018. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008 through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The following changes in FRS actuarial assumptions occurred in 2018:

FRS: The long-term expected investment rate of return decreased from 7.10% to 7.00%.

HIS: The municipal rate used to determine the total pension liability increased from 3.58% to 3.87%.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Employee Retirement Plan – continued**

To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2018 the FRS Actuarial Assumptions Conference reviewed long-term assumptions developed by both the FRS actuary’s capital market assumptions team and by a capital market assumptions team from consultants to the State Board of Administration. The table below summarizes the key assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy’s description of each asset class was used to map the target allocation to the asset classes below:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1%	2.9%	2.9%
Fixed income	18%	4.4%	4.3%
Global equity	54%	7.6%	6.3%
Real estate (property)	11%	6.6%	6.0%
Private equity	10%	10.7%	7.8%
Strategic investments	6%	6.0%	5.7%
	100%		
Assumed rate of inflation			2.6%

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.

*Discount rate*

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

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

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**4. Employee Retirement Plan – continued**

*Sensitivity Analysis*

The following table demonstrates the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the School’s proportionate share of the FRS net pension liability if the discount rate were 1% higher or 1% lower than the current discount rate.

	FRS			HIS		
	Current Discount			Current Discount		
	1% Decrease	Rate	1% Increase	1% Decrease	Rate	1% Increase
School's proportionate share of net pension liability	6.00%	7.00%	8.00%	2.87%	3.87%	4.87%
	\$ 481,371	\$263,759	\$ 83,019	\$ 156,382	\$ 137,305	\$ 121,403

*Pension Plan’s Fiduciary Net Position*

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

*Payable to the Pension Plan*

As of June 30, 2019, the School had an outstanding payable to the plan for regular employee and employer contributions of \$348 that were legally required to be paid to the plan but not remitted prior to the end of the year.

**5. Commitments, Contingencies and Related Party Transactions**

Management Agreement - The School has a vendor relationship with New Education for the Workplace, Inc. (NEWCorp), 2611 Temple Heights Drive, Oceanside, CA 92056. NEWCorp is an organization formed for charitable purposes, including advancing vocational and technical education and training of young men and women, and managing, operating, guiding, directing, and promoting charter schools. The School entered into an education service provider and license agreement, effective August 15, 2016, with NEWCorp, which provides human resources administration, business administration, curriculum licensing, technology services, and general support. For the year ended June 30, 2019, the School incurred \$251,813 for services from its management company. At June 30, 2019, \$69,036 was billed, due, and payable to NEWCorp. An additional \$108,189 due to the management company is accrued (including current year interest of \$4,659) in the government-wide financial statements pursuant to provisions of the agreement.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**5. Commitments, Contingencies and Related Party Transactions – continued**

School Facility Rent - The School entered into a ten and ½ year lease for its facilities beginning March 1, 2013. The first six months’ rent was free. Monthly lease payments of \$10,011 began in September 2013 inclusive of common maintenance charges and project expenses plus applicable taxes.

Lease expense (recognized on a level basis over the term of the lease) totaled \$72,487. Common area maintenance charges related to the lease were \$60,072.

Future rental commitments for base rent under the School’s facility lease are as follows:

Years Ending June 30,	Amount
2020	\$ 72,487
2021	72,487
2022	72,487
2023	72,487
2024	72,487
	<u>\$ 362,435</u>

Equipment Lease – In August 2016, the School entered into a three year noncancellable copier lease with a monthly base rent of \$244. Remaining payments are \$488 for year ending June 30, 2020.

**6. Risk Financing**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters, illnesses of and injuries to employees. Some of this risk is subject to limitations imposed by sovereign immunity and Florida law applicable to tort settlements.

The School obtains insurance policies from commercial companies for property and general liability, boiler and machinery, flood, general umbrella, workers compensation, bond payment, and certain employee accident and health insurance. There have been no significant reductions in insurance coverage during the year ended June 30, 2019. Settled claims resulting from these risks have not exceeded commercial coverage for the past three years.

It is the School’s policy to report liabilities when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. At June 30, 2019, no claims meeting this definition are known to exist, nor are any incurred but not reported (IBNR) claims estimated to exist. Accordingly, no liabilities resulting from claims or uncertainties are reported in the financial statements at June 30, 2019.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**NOTES TO FINANCIAL STATEMENTS**

**7. Prior Period Adjustment**

The School corrected its prior year fund balances for General and Federal Grants Funds to correct reporting effectively transferring the Federal Grants Fund balance (\$7,457) to the General Fund.

**8. Excess Expenditures over Revenues**

The Federal Grants Fund had an excess of expenditures over revenues of \$5,107.

**9. Subsequent Events**

Management has evaluated events and transactions for potential recognition or disclosure through November 20, 2019, the date on which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY  
INFORMATION  
(RSI)

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -  
GENERAL FUND (PAGE 27)

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –  
FEDERAL GRANTS FUND (PAGE 28)

SCHEDULE OF THE PROPORTIONATE SHARE  
OF NET PENSION LIABILITY - FLORIDA  
RETIREMENT SYSTEM AND HEALTH  
INSURANCE SUBSIDY PROGRAM (PAGE 29)

SCHEDULE OF THE PENSION CONTRIBUTIONS -  
FLORIDA RETIREMENT SYSTEM AND  
HEALTH INSURANCE SUBSIDY PROGRAM (PAGE 30)

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**for the year ended June 30, 2019**

	<b>Original and Final Budget</b>	<b>Actual (GAAP Basis)</b>	<b>Variance Favorable (Unfavorable)</b>
Revenues			
State	\$ 1,248,306	\$ 1,270,326	\$ 22,020
Local	13,120	21,163	8,043
Total revenues	<u>1,261,426</u>	<u>1,291,489</u>	<u>30,063</u>
Expenditures			
Instruction	391,900	425,313	(33,413)
Pupil personnel services	4,000	2,286	1,714
Instructional media services	-	1,138	(1,138)
Instruction and curriculum development services	-	14,250	(14,250)
Instructional staff training	19,125	15,935	3,190
Instructional technology	18,725	25,043	(6,318)
School board	31,909	16,562	15,347
General administration	81,140	73,772	7,368
School administration	257,459	251,598	5,861
Facilities acquisition and construction	141,260	31,539	109,721
Fiscal services	38,949	58,151	(19,202)
Central services	37,754	15,841	21,913
Transportation services	6,930	11,792	(4,862)
Operation of plant	124,950	94,958	29,992
Maintenance of plant	8,500	3,102	5,398
Administrative technology	-	707	(707)
Total expenditures	<u>1,162,601</u>	<u>1,041,987</u>	<u>120,614</u>
Excess of revenues over expenditures	<u>98,825</u>	<u>249,502</u>	<u>150,677</u>
Net change in fund balance	98,825	249,502	150,677
Fund balance (deficit), beginning	<u>(17,440)</u>	<u>(17,440)</u>	<u>-</u>
Fund balance, ending	<u>\$ 81,385</u>	<u>\$ 232,062</u>	<u>\$ 150,677</u>



**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -**  
**FEDERAL GRANTS FUND**  
**ANNUAL BUDGETARY COMPARISON SCHEDULE**  
**for the year ended June 30, 2019**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>(GAAP Basis)</u>	<u>Favorable</u>
	<u>and Final</u>	<u></u>	<u>(Unfavorable)</u>
Revenues			
Federal through state	\$ 13,120	\$ 18,227	\$ 5,107
Total revenues	<u>13,120</u>	<u>18,227</u>	<u>5,107</u>
Expenditures			
Instruction	12,720	13,340	(620)
Instructional staff training	400	4,148	(3,748)
General administration	<u>-</u>	<u>739</u>	<u>(739)</u>
Total expenditures	<u>13,120</u>	<u>18,227</u>	<u>(5,107)</u>
Net change in fund balances	-	-	-
Fund balance, beginning, restated	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1. Budgets are prepared and adopted annually for certain governmental funds in accordance with procedures and time intervals prescribed by the Board of Directors (Board) of the School. During the fiscal year ended June 30, 2019, the Board adopted an annual budget for the General and Federal Grants Funds. The School is not required to submit its budget to any regulatory agencies.

Note 2. Appropriations are controlled at the fund level and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**Schedule of the Proportionate Share of Net Pension Liability**

**Florida Retirement System**  
Last Ten Years\*

	<b>2019</b>
School's proportion of the net pension liability	0.000875678%
School's proportionate share of the net pension liability	\$ 263,759
School's covered-employee payroll	\$ 340,405
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	77.48%
Plan fiduciary net position as a percentage of the total pension liability	84.26%

**Health Insurance Subsidy Program**  
Last Ten Years\*

School's proportion of the net pension liability	0.001297275%
School's proportionate share of the net pension liability	\$ 137,305
School's covered-employee payroll	\$ 340,405
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	40.34%
Plan fiduciary net position as a percentage of the total pension liability	2.15%

*Data prior to 2019 is unavailable as the School was not officially  
accepted into the FRS until September 29, 2017*

*\*The amounts presented were determined as of 6/30*

**BISCAYNE MYCROSCHOOL, INC.**  
**d/b/a Biscayne High School**  
**Schedule of the Pension Contributions**

**Florida Retirement System**  
Last Ten Years\*

	<b>2019</b>
Contractually required contributions	\$ 21,496
Contributions in relation to the contractually required contribution	(21,496)
Contribution deficiency	\$ -
School's covered-employee payroll	\$ 340,405
Contributions as a percentage of covered-employee payroll	6.31%

**Health Insurance Subsidy Program**  
Last Ten Years\*

Contractually required contributions	\$ 5,408
Contributions in relation to the contractually required contribution	(5,408)
Contribution deficiency (excess)	\$ -
School's covered-employee payroll	\$ 340,405
Contributions as a percentage of covered-employee payroll	1.59%

*Data prior to 2019 is unavailable as the School was not officially accepted into the FRS until September 29, 2017*

*\*The amounts presented were determined as of 6/30*

# HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS  
601 NORTH FERN CREEK  
SUITE 200  
ORLANDO, FLORIDA 32803

(407) 894-6803  
(407) 896-3044 FAX

DAVID S. HOLLAND, CPA  
THOMAS F. REILLY, CPA

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ASSOCIATION OF  
CERTIFIED FRAUD EXAMINERS

## 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*

To the Board of Directors of  
Biscayne MYcroSchool, Inc.  
d/b/a Biscayne High School

We have audited, 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, the financial statements of the governmental activities and each major fund of Biscayne MYcroSchool, Inc. d/b/a Biscayne High School (the School), a component unit of the District School Board of Duval County, Florida, as of 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 November 20, 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School'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 over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses. Other 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 of 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* – see page 34.

## **Purpose of this Report**

This report is intended 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 School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Holland & Reilly". The signature is written in a cursive, flowing style.

Orlando, Florida  
November 20, 2019

# HOLLAND & REILLY

CERTIFIED PUBLIC ACCOUNTANTS  
601 NORTH FERN CREEK  
SUITE 200  
ORLANDO, FLORIDA 32803

(407) 894-6803  
(407) 896-3044 FAX

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
FLORIDA INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS  
ASSOCIATION OF  
CERTIFIED FRAUD EXAMINERS

DAVID S. HOLLAND, CPA  
THOMAS F. REILLY, CPA

To the Board of Directors of Biscayne  
MYcroSchool, Inc.  
d/b/a Biscayne High School

We have audited the financial statements of Biscayne MYcroSchool, Inc. d/b/a Biscayne High School as of and for the year ended June 30, 2019 and have issued our report thereon dated November 20, 2019.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters. Disclosures in that report, which is dated October 29, 2019, should be considered in conjunction with this management letter. Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General.

The Rules of the Auditor General (Section 10.854(1)(e)) require disclosure in the management letter of the following matters if not already addressed in the auditors' report on compliance and internal controls:

- 1) Any recommendations to improve financial management.
- 2) 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 which warrant the attention of those charged with governance.
- 3) For matters that do not warrant the attention of those charged with governance, the following may be reported based on professional judgment:
  - a) Noncompliance with provisions of contracts or grant agreements, fraud or abuse,
  - b) Deficiencies in internal control that are not material weaknesses or significant deficiencies.

Based on our audit procedures performed, the School did not meet any of the conditions described in Florida Statutes Section 218.503(1) in the current year.

The auditors applied financial condition assessment procedures. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

The School was notified of a late filing penalty for failure to timely file its 2017 Return of Organization Exempt from Income Tax (Form 990). (See auditors' comment on page 34.)

In connection with our prior year audit, we determined the School had a financial condition as defined in Florida Statutes Section 218.39(5). See page 34 for the status of our prior year comment.

We determined the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

This management letter is intended solely for the information of Biscayne MYcroSchool, Inc. d/b/a Biscayne High School, its management, others within the entity, the Duval County School Board, and the State of Florida Office of the Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.



Orlando, FL  
November 20, 2019

**BISCAYNE MICROSCHOOL, INC**  
**d/b/a Biscayne High School**

**AUDITORS' COMMENTS – CURRENT YEAR**

**Compliance**

**2019-1 Untimely Filing of Annual Tax Information Return**

The School's 2017 Return of Organization Exempt from Income Tax (Form 990) was not filed with the Internal Revenue Service until after its May 15, 2019 extended due date. Subsequently, the Service notified the School of a \$1,300 late filing penalty.

**Other Comment**

**2019-2 Inadequate General Ledger Review**

The preparation of financial statements requires a timely review of general ledger accounts and their reconciliation to underlying supporting documentation. During our audit, we found certain key accounts such as cash, receivables, payables, accruals and payroll did not agree with independent documentation. For example, the bank reconciliation included outstanding items over one year old. The discrepancies appeared to go unnoticed as a result of lack of management review and follow up investigation.

We recommend management undertake a more detailed review of the accounts as soon as possible after month end. Old outstanding items should be investigated and corrected promptly. Supporting schedules reconciling account balances to independent information should be maintained. To facilitate the process at year-end, consider employing the services of another accountant, familiar with government reporting, to prepare the financial statements rather than relying on the services of the auditor.

**STATUS OF PRIOR YEAR COMMENTS**

**2018-1 Notice of Net Position and Fund Balance Deficits**

In accordance with provisions of Section 218.39(5), Florida Statutes, we identified a deficit condition in the School's financial statements. That deficit condition has been corrected in the current year as evidenced by the following:

	<u>6/30/18</u>	<u>6/30/19</u>
Government-wide Statement of Net Position (page 7)		
Unrestricted Net Position	\$ (155,383)	\$ 8,923
Balance Sheet – Government Funds (page 9)		
Unassigned Fund Balance	\$ (56,535)	\$193,908

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**November 20, 2019**

**David S. Holland,  
Holland & Reilly  
601 N Fern Creek Avenue, Suite 200  
Orlando, FL 32803**

**The response and corrective action plan for the audit findings detailed in Biscayne MYcroSchool's, d/b/a Biscayne High School's 2018-19 audit are as follows:**

**2019-1 Untimely filing of annual tax information return**

The tax filing for the last year was unusual in that the school underwent a name change and a paper copy of the return had to be signed and sent to the IRS. In addition, there was a change in board president, which complicated the process. The new board president was sworn in at the October board meeting. In the future (as in the past) the return will be filed electronically thereby avoiding the possibility of late filing. In addition, legal documentation addresses have been updated at SunBiz to ensure that the management company receives copies of all documentation and a management company staff member has been appointed to properly track and report on delivery of tax information to proper offices.

**2019-2 Inadequate general ledger review**

During the 2018-2019 year, NEWCorp recognized the need for additional resources in the area of recordkeeping and reporting. NEWCorp employed an outside accounting firm to assist with the recordkeeping and monthly financial statement compilations. Additional resources will be allocated to recordkeeping and reporting for the 2019-2020 year. The management company will be adding a second accountant in the Gainesville office and a Finance Specialist in January to alleviate inadequate general ledger review complications experience in 2018-2019.

Sincerely,



Joy Baldree,  
Chief Executive Officer  
NEWCorp