

SEBASTIAN CHARTER JUNIOR HIGH, INC.

**Basic Financial Statements
with
Independent Auditors' Report**

Year ended June 30, 2019

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KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

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 Sebastian Charter Junior High, Inc. (the School), a component unit of Indian River County School District, 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 Sebastian Charter Junior High, Inc., as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
Sebastian Charter Junior High, Inc.

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 4-8, 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 September 12, 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 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.

Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants



September 12, 2019

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

As management of Sebastian Charter Junior High, Inc. (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

- The assets of the School as reported in the government-wide financial statements exceeded its liabilities at the close of the current fiscal year by \$2,145,004 (net position). Of this amount, \$990,882 (unrestricted net position) may be used to meet the ongoing obligations of the School, while \$65,539 is designated for capital improvements. The School's total net position increased by \$190,574 or 10% in comparison with prior year net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$1,250,059, or 57% of total expenditures. Of this amount, \$1,088,584 (unassigned fund balance) may be used to meet the ongoing obligations of the School, while \$65,539 is committed for capital improvements. The School's combined ending fund balance increased by \$94,269 or 9% in comparison with the prior year balance.
- Investment in capital assets increased compared to the prior year by \$156,763 or 19%.

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 comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

Government-wide financial statements – The *government-wide 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 (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net position*. Over time, increases and 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 most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the School that are principally supported by local revenues (FTE dollars through the Indian River County School District) (*governmental activities*) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The School has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 9 and 10 of this report.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Fund financial statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds used by the School are considered governmental fund types.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for all funds. Government accounting standards require the School to report a budgetary comparison statement for the general fund and any major special revenue funds. A budgetary comparison statement has been provided for the general fund. The School has no major special revenue funds. The basic governmental fund financial statements can be found on pages 11 - 13 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 - 23 of this report.

Required supplementary information – The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$2,145,004, at June 30, 2019.

A portion of the School's net position (46%) reflects its investment in capital assets, net of related debt (e.g., land, buildings, equipment and furniture). The School has related debt outstanding as of June 30, 2019 of \$1,980,388 that was used to acquire these assets. The School uses these capital assets to provide educational services; consequently, these assets are *not* available for future spending.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S NET POSITION

	2019	2018
Current assets	\$ 1,250,058	\$ 1,144,227
Capital assets, net	2,971,270	3,041,467
Total assets	4,221,328	4,185,694
Current liabilities	269,036	251,112
Long-term liabilities:	1,807,288	1,980,152
Total liabilities	2,076,324	2,231,264
Net position:		
Invested in capital assets	990,882	894,576
Unrestricted	1,154,123	1,059,854
Total net position	\$ 2,145,004	\$ 1,954,430

An additional portion of the School's net position (54%) represents *unrestricted net position* that is available to meet the financial obligations of the School. At the end of the current fiscal year, the School is able to report positive balances in both categories of net position.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S CHANGE IN NET POSITION

	2019	2018
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 139,535	\$ 128,148
Capital grants and contributions	132,825	46,842
General revenues:		
FTE non-specific revenues	1,998,599	2,146,072
Total revenues	2,270,960	2,321,062
Expenses:		
Instruction	1,221,657	1,165,859
Instructional staff training	200	1,970
Board	2,421	4,415
School administration	402,866	292,158
Facilities acquisition and construction	11,977	10,558
Fiscal services	39,803	37,385
Food services	92,420	93,752
Transportation	31,697	29,336
Operation of plant	123,453	124,252
Maintenance of plant	12,831	36,730
Interest on long-term debt	78,750	84,921
Depreciation - unallocated	62,310	67,356
Total expenses	2,080,385	1,948,692
Change in net position	190,574	372,370
Net position, beginning of year	1,954,430	1,582,060
Net position, end of year	\$ 2,145,004	\$ 1,954,430

Governmental activities – The School relies heavily on general revenues (i.e., FTE dollars) to fund the expenses of the governmental activities. Program revenues consisting of capital and operating grants comprise 12% of total revenues. General revenues comprise 88% of total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2019**

Governmental funds – The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

- As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$1,154,123, an increase of \$94,269 over the previous fiscal year. The fund balance consists of *unassigned* fund balance of \$1,088,584, which is available for spending at the School's discretion. While \$65,539 is *committed* for capital improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The School's investment in capital assets for its governmental activities as of June 30, 2019 amounted to \$2,971,270 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvement's other than buildings, equipment, furniture, and computer software. Additional information on the School's capital assets can be found in Notes 1 and 2 on pages 17 and 21 of this report.

Long-term debt – The School has related debt outstanding as of June 30, 2019 of \$1,980,388 that was used to acquire these assets. Additional information on the School's long-term debt can be found in Notes 1, 3 and 4 on pages 18 and 22 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The School received the majority of its revenues from FTE dollars provided by the Indian River County School District.
- The Indian River County School District continues to retain approximately 2% as administrative costs from revenues.
- The Charter School's enrollment is expected to continue to be 100% for the fiscal year ending 2019-2020.

All of these factors were considered in preparing the School's budget for the 2019-2020 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to William Dodds, Principal, Sebastian Charter Junior High, Inc., 782 Wave Street, Sebastian, Florida 32958.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Net Position

June 30, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 992,330	\$ -	\$ 992,330
Due from other agencies	214,306	-	214,306
Prepaid insurance	43,422	-	43,422
Capital assets, net	2,971,270	-	2,971,270
Total Assets	4,221,328	-	4,221,328
Liabilities			
Accounts payable and accrued liabilities	95,936	-	95,936
Long-term liabilities:			
Due within one year:			
Note payable	173,100	-	173,100
Due in more than one year:			
Note payable	1,807,288	-	1,807,288
Total Liabilities	2,076,324	-	2,076,324
Net Position			
Net investment in capital assets	990,882	-	990,882
Unrestricted, reported in:			
Designated for capital improvements	65,539	-	65,539
Governmental activities	1,088,584	-	1,088,584
Total Net Position	\$ 2,145,004	\$ -	\$ 2,145,004

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Activities

Year ended June 30, 2019

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ 1,233,634	\$ -	\$ 47,115	\$ 2,266	\$ (1,184,253)	\$ -	\$ (1,184,253)
Instructional staff training	200	-	-	-	(200)	-	(200)
Board	2,421	-	-	-	(2,421)	-	(2,421)
School administration	402,866	-	-	-	(402,866)	-	(402,866)
Fiscal services	39,803	-	-	-	(39,803)	-	(39,803)
Food services	92,420	-	92,420	-	-	-	-
Transportation	31,697	-	-	-	(31,697)	-	(31,697)
Operation of plant	123,453	-	-	9,711	(113,742)	-	(113,742)
Maintenance of plant	12,831	-	-	-	(12,831)	-	(12,831)
Interest on long-term debt	78,750	-	-	120,848	42,098	-	42,098
Depreciation - unallocated *	62,310	-	-	-	(62,310)	-	(62,310)
Total governmental activities	\$ 2,080,386	\$ -	\$ 139,535	\$ 132,825	(1,808,026)	-	(1,808,026)
General Revenues:							
Local revenue:							
Florida Education Finance Program					1,597,327	-	1,597,327
Instructional materials					19,823	-	19,823
Local capital improvement revenue					-	-	-
Class size					236,846	-	236,846
Discretionary lottery funds					837	-	837
Teacher supply assistance program					3,739	-	3,739
School recognition					26,192	-	26,192
Best & Brightest teacher scholarships					45,558	-	45,558
Other miscellaneous local sources					68,278	-	68,278
Total general revenues and special items					1,998,599	-	1,998,599
Change in net position					190,574	-	190,574
Net Position, beginning					1,954,430	-	1,954,430
Net Position, ending					\$ 2,145,004	\$ -	\$ 2,145,004

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Balance Sheet - Governmental Funds

June 30, 2019

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 992,330	\$ -	\$ -	\$ 992,330
Due from other agencies	214,306	-	-	214,306
Prepaid insurance	43,422	-	-	43,422
Total Assets	\$ 1,250,059	\$ -	\$ -	\$ 1,250,059
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 95,936	\$ -	\$ -	\$ 95,936
Total Liabilities	95,936	-	-	95,936
Fund balances:				
Committed for capital improvements	65,539	-	-	65,539
Unassigned	1,088,584	-	-	1,088,584
Total Fund Balances	1,154,123	-	-	1,154,123
Total Liabilities and Fund Balances	\$ 1,250,059	\$ -	\$ -	\$ 1,250,059
Total fund balances				\$ 1,154,123
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				2,971,270
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.				(1,980,388)
Net position of governmental activities				<u>\$ 2,145,004</u>

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year ended June 30, 2019

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal through local	\$ -	\$ 132,825	\$ 47,115	\$ 179,940
Local	1,998,599	-	92,420	2,091,020
Total Revenues	1,998,599	132,825	139,535	2,270,960
Expenditures				
Current - Education:				
Instruction	1,166,836	-	47,115	1,213,951
Instructional staff training	200	-	-	200
Board	2,421	-	-	2,421
School administration	402,685	-	-	402,685
Fiscal services	39,803	-	-	39,803
Food services	-	-	92,420	92,420
Transportation	31,697	-	-	31,697
Operation of plant	123,453	-	-	123,453
Maintenance of plant	12,831	-	-	12,831
Debt service	198,138	47,115	-	245,253
Fixed Capital Outlay	-	11,977	-	11,977
Total Expenditures	1,978,064	59,092	139,535	2,176,691
Excess of Revenues over Expenditures	20,535	73,733	-	94,269
Other Financing Sources (Uses)				
Transfers in	73,733	-	-	73,733
Transfers out	-	(73,733)	-	(73,733)
Net Other Financing Sources (Uses)	73,733	(73,733)	-	-
Net Change in Fund Balances	94,269	-	-	94,269
Fund Balances, beginning of year	1,059,854	-	-	1,059,854
Fund Balances, end of year	\$ 1,154,123	\$ -	\$ -	\$ 1,154,123

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2019

Net change in fund balances - governmental funds	\$ 94,269
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$82,174) is more than capital outlays (\$11,977) in the period.	(70,197)
Repayment of note payable and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	166,503
Change in net position of governmental activities	\$ 190,574

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local	\$ 2,111,245	\$ 2,111,245	\$ 1,998,599	\$ (112,646)
Total Revenues	2,111,245	2,111,245	1,998,599	(112,646)
Expenditures				
Current - Education:				
Instruction	1,117,094	1,117,094	1,166,836	(49,742)
Instructional staff training	2,000	2,000	200	1,800
Board	1,600	1,600	2,421	(821)
School administration	465,656	465,656	402,685	62,971
Fiscal services	38,525	38,525	39,803	(1,278)
Transportation	34,000	34,000	31,697	2,303
Operation of plant	131,650	131,650	123,453	8,197
Maintenance of plant	45,000	45,000	12,831	32,169
Debt service	244,347	244,347	198,138	46,209
Total Expenditures	2,079,872	2,079,872	1,978,064	101,808
Other Financing Sources				
Transfers in	-	-	73,733	73,733
Net Change in Fund Balances	\$ 31,373	\$ 31,373	94,269	\$ 62,896
Fund Balance, beginning of year			1,059,854	
Fund Balance, end of year			\$ 1,154,123	

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements
June 30, 2019

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Sebastian Charter Junior High, Inc., (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the Indian River County District School Board. The current charter was renewed in 2010 and is effective until June 30, 2025. 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. During the term of the charter, the District may also terminate the charter if good cause is shown. The Sebastian Charter Junior High, Inc. is considered a component unit of the Indian River County District School Board.

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 Governmental Accounting Standards Board's (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.

Basis of Presentation

The School's financial statements have been 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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include a reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and basis of accounting between the statements, and certain required eliminations.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School's net position is reported in two parts – invested in capital assets and unrestricted net position. The School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities. The functions are also supported by general revenues (funding received from the Indian River County School District, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, food services, facilities acquisition and construction, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue. The School does not allocate indirect costs. This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The School's major governmental funds are as follows:

General Fund - Used to account for all financial resources not required to be accounted for in another fund.

Use of Estimates

The preparation of the 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 may differ from those estimates.

Basis of Accounting

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 the measurements made, regardless of the measurement focus applied.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are as amended by the School’s Board of Directors and adopted on a basis consistent with generally accepted accounting principles.

Cash

The School's cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings and fixed equipment	50 years
Improvements other than buildings	40 years
Computers and software	5 years
Property under capital leases	5 years

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Revenue Sources

Revenues for current operations are received primarily from the Indian River County District School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

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

Compensated Absences

Sick and personal leave expenditures are recognized when payments are made to the employees. Up to two sick days and one personal day may be rolled over each year.

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Interfund Activity

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosures

In accordance with GASB No. 54, the classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2019.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School did not have any restricted resources as of June 30, 2019.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School has \$65,539 committed for capital improvements as of June 30, 2019.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School or by an official or body to which the School delegates the authority. The School did not have any assigned resources as of June 30, 2019.

Unassigned – This classification includes the residual fund balance for the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 10). The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

General Fund

The General Fund has Unassigned Fund Balance of \$1,088,584 at June 30, 2019.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosures (continued)

Beginning with fiscal year June 30, 2012, the School implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB No. 63),” in 2012, as required. The purpose of GASB No. 63 is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

Governmental-wide Financial Statements

In accordance with GASB No. 63, the School classifies net position in the government-wide financial statements as follows:

Net Investment in Capital Assets – This classification includes the School’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The School typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The School did not have any restricted net position as of June 30, 2019.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets. The School has the authority to revisit or alter this designation.

Subsequent Events

Management has evaluated subsequent events through September 12, 2019, the date the financial statements were available to be issued.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
 Indian River County District School Board
 Notes to Basic Financial Statements (continued)

Note 2 – Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets not being depreciated:				
Land	\$ 180,733	\$ -	\$ -	\$ 180,733
Total capital assets not being depreciated	180,733	-	-	180,733
Other capital assets:				
Buildings and fixed equipment	3,115,524	9,711	-	3,125,235
Furniture, fixtures and equipment	282,130	2,266	-	284,396
Property under capital leases	-	-	-	-
Computer software	11,277	-	-	11,277
Total other capital assets at historical cost	3,408,931	11,977	-	3,420,908
Less accumulated depreciation for:				
Buildings and fixed equipment	(311,550)	(62,310)	-	(373,860)
Furniture, fixtures and equipment	(225,370)	(19,864)	-	(245,234)
Computer software	(11,277)	-	-	(11,277)
Total accumulated depreciation	(548,197)	(82,174) *	-	(630,371)
Other capital assets, net	2,860,734	(70,197)	-	2,790,537
Governmental activities capital assets, net	\$ 3,041,467	\$ (70,197)	\$ -	\$ 2,971,270

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 19,683
School administration	181
Unallocated	62,310
	\$ 82,174

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
 Indian River County District School Board
 Notes to Basic Financial Statements (continued)

Note 3— Long-Term Liabilities

In August 2012, the School negotiated a \$2,800,000 construction/permanent financing loan with Seacoast National Bank. The mortgage term is 198 months (16.5 years). After the construction period, the loan automatically converted to a fully-amortizing commercial mortgage with repayment consisting of 180 monthly principal and interest payments. The mortgage is secured by land, building and improvements. The loan is 90% guaranteed by the USDA under the Rural Development Business & Cooperative Program.

The loan was used to construct a new, larger, more permanent school building. Construction began in 2012 and was completed during 2014. During construction (the first eighteen months), the loan required monthly payments of interest only. Commencing on March 9, 2014, the loan required equal monthly payments of principal and interest of \$20,362 until maturity on February 8, 2029. During the first five (5) years, interest on the outstanding principal balance shall accrue and be payable at 3.75% per annum. This rate is based on the Non-Bank Qualified tax exempt equivalent rate. Commencing on August 9, 2017, the interest rate adjusted to a new fixed rate equal to the Non-Bank Qualified tax exempt equivalent rate of 3.5% over the five (5) year Treasury Constant Maturity, with a floor rate of 3.75%. This adjustment will occur every five (5) years on the anniversary date of the loan, until it is paid in full.

Amounts needed for the repayment of the mortgage at June 30, 2019, are as follows:

Fiscal year ending June 30, 2019	Principal	Interest	Total
2020	\$ 173,100	\$ 71,247	\$ 244,347
2021	179,705	64,642	244,347
2022	186,560	57,787	244,347
2023	193,678	50,669	244,347
2024 and after	1,247,345	137,286	1,384,631
	\$ 1,980,388	\$ 381,631	\$ 2,362,019

The changes in the School's long-term obligations for governmental activities during the year consist of the following:

	Principal Outstanding June 30, 2018	Additions	Reductions	Principal Outstanding June 30, 2019	Amount Due in One Year
Building mortgage	\$ 2,146,891	\$ -	\$(166,503)	\$ 1,980,388	\$ 173,100

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 4 – Net Position

At June 30, 2019, the net position of the School consisted of the following:

	Governmental Activities	Business-type Activities
Net investment in capital assets:		
Net property, plant and equipment	\$ 2,971,270	\$ -
Less:		
Mortgage and capital leases payable	(1,980,388)	-
Total net investment in capital assets	990,882	-
Designated for capital improvements	65,539	-
Unrestricted	1,088,584	-
Total net position	\$ 2,145,004	\$ -

Note 5 – 401(k) Plan

The School initiated a 401(k) defined contribution plan on August 22, 2006 that covers all employees who have attained twenty-one years of age and satisfied a one-year service requirement. The plan is administered by the Principal Financial Group. Employees may make elective contributions up to 25% of their compensation and the limit established by federal law. The School may make elective contributions equal to the employee's contribution up to a limit of 3% of the employee's compensation for the fiscal year. For the year ended June 30, 2019, the School made elective contributions of \$32,874 to the plan.

Note 6 – Risk Management Programs

During the year ended June 30, 2019, employees of the School were covered by purchased health insurance. The School contributes monthly for each employee to the plan, and employees, at their option, authorize payroll withholdings to pay contributions for dependents.

General liability, professional liability, property, and workers' compensation coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.



KMETZ · ELWELL · GRAHAM & ASSOCIATES, PLLC
Certified Public Accountants

**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
Sebastian Charter Junior High, Inc.
Sebastian, 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, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. (the School), a component unit of the Indian River County School District, 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 12, 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 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 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.

To the Board of Directors
Sebastian Charter Junior High, Inc.

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 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.



Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants

September 12, 2019



Independent Auditors' Management Letter

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

Report on the Financial Statements

We have audited the basic financial statements of Sebastian Charter Junior High, Inc., (the School) as of and for the year ended June 30, 2019, and have issued our report thereon dated September 12, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Chapter 10.850, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent 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*. Disclosures in that report, if any, which are dated September 12, 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. In connection with our prior year audit, we did not have any findings.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that 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 Sebastian Charter Junior High, Inc. and 5005.

Financial Condition

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not Sebastian Charter Junior High, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Sebastian Charter Junior High, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Directors
Sebastian Charter Junior High, Inc.

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

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communication the results of our determination as to whether Sebastian Charter Junior High, 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 Sebastian Charter Junior High, 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 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 Indian River County School District, the Board of Directors, applicable management and is not intended to be and should not be used by anyone other than these specified parties.



Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants

September 12, 2019