



**Bay Haven Charter Academy Middle  
School (A Component Unit of Bay  
County District School Board)**

**FINANCIAL STATEMENTS**

**June 30, 2021**



|   |    |
|---|----|
| Independent auditors' report .....  | 1  |
| Management's discussion and analysis .....  | 4  |
| <b>Basic Financial Statements</b>   |    |
| Statement of net position and governmental fund balance sheet .....   | 11 |
| Statement of activities and governmental fund revenues, expenditures and<br>changes in fund balance.....  | 13 |
| Statement of revenues and expenditures – budget and actual – general fund .....   | 15 |
| Notes to financial statements.....  | 17 |
| <b>Required Supplementary Information</b>   |    |
| Schedules of defined benefit pension plans.....   | 46 |
| <b>Supplementary Information</b>  |    |
| Schedule of revenues and expenditures – general fund (management format) .....  | 50 |
| <b>Reports on Internal Control and Compliance Matters</b>   |    |
| Independent auditors' report on internal control over financial reporting<br>and on compliance and other matters based on an audit of financial<br>statements performed in accordance with <i>Government Auditing Standards</i> ..... | 52 |
| Independent auditors' management letter.....  | 54 |



## **INDEPENDENT AUDITORS' REPORT**

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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities and the major fund of Bay Haven Charter Academy Middle School (School) as of and for the year ended June 30, 2021, and the related notes to 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Bay Haven Charter Academy Middle School, as of June 30, 2021, and the respective changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in note 1, the financial statements present only Bay Haven Charter Academy Middle School and do not purport to, and do not present the financial position of Bay Haven Charter Academy, Inc. or Bay County District School Board as of June 30, 2021, the changes in their financial position, or, where applicable, their cash flows and respective budgetary comparison for the major funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### ***Change in Accounting Principle***

As described in note 1, the School has implemented GASB Statement No. 84, *Fiduciary Activities*, which includes guidance for identifying fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Implementation of this standard had no effect on beginning fund balances or net position. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 4 through 10, and the schedules of defined benefit pension plans on pages 46 through 49, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of revenues and expenditures – general fund (management format) on pages 50 and 51 is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 29, 2021, on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
November 29, 2021

## Management's Discussion and Analysis

Management's discussion and analysis provides an easily readable analysis of Bay Haven Charter Academy Middle School's (School) financial activities. The analysis provides summary financial information for the School and should be read in conjunction with the School's financial statements.

### Financial Highlights

- Total assets and deferred outflows of resources of the School exceeded total liabilities and deferred inflows of resources by \$5,448,237 (total net position). Of this amount, \$3,452,182 is unrestricted net position of governmental activities. Total net position also includes \$1,695,878 net investment in capital assets in the governmental activities.
- Total net position increased by \$227,520 during the year ended June 30, 2021.
- As of June 30, 2021, the general fund unassigned fund balance was \$4,367,424 or 116% of total general fund expenditures for the year.
- Governmental activities' total revenues increased 3% to \$3,889,163, while governmental activities' total expenses increased 9% to \$3,661,643.

### 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 financial statements*, 2) *fund financial statements*, and 3) *notes to financial statements*. The *government-wide financial statements* present an overall picture of the School's financial position and results of operations. The *fund financial statements* present financial information for the School's major fund. The *notes to financial statements* provide additional information concerning the School's finances that may not otherwise be disclosed in the government-wide or fund financial statements.

### Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and the *statement of activities*. These statements are designed to provide readers with a broad overview of the School's financial position in a manner similar to that of private-sector companies. Emphasis is placed on the net position of governmental activities as well as the change in net position. Governmental activities are the activities where the School's programs and services are reported including, but not limited to, instruction, operation and maintenance of plants and facilities, pupil transportation, extracurricular activities, capital outlay, debt service, and other support services. The School does not have any business-type activities.

The *statement of net position* presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the Middle School at the Bay Haven campus, with the difference between them reported as *net position*. Increases or decreases in net position over time may serve as a useful indicator of the School's improving or declining financial position.

The *statement of activities* presents information on all revenues and expenses of the School and the change in net position for the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement of activities for some items that will result in cash flows in future fiscal periods (e.g., uncollected fees).

### ***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific purposes or objectives. Individual funds have been established by the School to account for revenues that are restricted to certain uses or to comply with legal requirements. The major category of funds in the School's *fund financial statements* includes: governmental funds.

*Fund financial statements* provide financial information for the School's major fund and more detailed information about the School's activities. Governmental fund financial statements provide information on the *current* assets and liabilities of the fund, changes in *current* financial resources (revenues and expenditures), and *current* available resources.

*Fund financial statements* for the governmental fund includes a balance sheet and a statement of revenues, expenditures and changes in fund balance. The School's general fund also includes a statement of revenues and expenditures - budget and actual.

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the School's financial position. Categorized by governmental activities and component units, the government-wide financial statements provide an overall picture of the School's financial standing. The government-wide financial statements, which are comparable to private-sector companies, provide a good understanding of the School's overall financial health and present the means used to pay for various activities, or functions provided by the School. All assets and deferred outflows of resources of the School, including buildings and land are reported in the statement of net position, as well as all liabilities and deferred inflows of resources, including outstanding principal on bonds and other long-term debt. The statement of activities includes depreciation on all long lived assets of the School. The *fund financial statements* provide a presentation of the School's major fund. In the case of the governmental fund, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are included as other financing sources in the fund financial statements in the year the liabilities are incurred. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

*Notes to financial statements* provide additional detail concerning the financial activities and financial balances of the School. Additional information about the accounting practices of the School, investments of the School, and long-term debt are just a few of the items included in the notes to financial statements.

## Financial Analysis of the School

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School. At the end of the fiscal year 2021, the School is able to report positive balances in all categories of net position, and for the government as a whole.

### Net Position Governmental Activities

| <i>June 30,</i>                  | <b>2021</b>  | <b>2020</b>  |
|----------------------------------|--------------|--------------|
| Current and other assets         | \$ 5,223,980 | \$ 5,112,577 |
| Capital assets, net              | 5,145,946    | 4,982,071    |
| Total assets                     | 10,369,926   | 10,094,648   |
| Deferred outflows of resources   | 702,254      | 565,119      |
| Current liabilities              | 229,873      | 169,332      |
| Noncurrent liabilities           | 5,327,063    | 5,130,445    |
| Total liabilities                | 5,556,936    | 5,299,777    |
| Deferred inflows of resources    | 67,007       | 139,273      |
| Net position                     |              |              |
| Net investment in capital assets | 1,695,878    | 1,597,521    |
| Restricted                       | 300,177      | 406,719      |
| Unrestricted                     | 3,452,182    | 3,216,477    |
| Total net position               | \$ 5,448,237 | \$ 5,220,717 |

Net investment in capital assets (e.g., land, buildings, and equipment), represents 31% of the School's net position. These capital assets are used to provide services to citizens; consequently, they are not available for future spending. It should be noted, that although the School's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the School's net position, \$300,177 (6%), represents resources that are subject to restrictions on how they may be used. The balance of unrestricted net position, \$3,452,182, may be used to help meet the School's ongoing obligations to citizens and creditors.

The following schedule provides a summary of the changes in net position.



**Changes in Net Position  
Governmental Activities**

| <i>Year Ended June 30,</i>              | <b>2021</b>  | <b>2020</b>  |
|---|--------------|--------------|
| Revenues                                |              |              |
| Intergovernmental                       | \$ 3,622,926 | \$ 3,053,202 |
| Before and aftercare fees               | 31,874       | 27,151       |
| Lunchroom fees                          | 2,686        | 5,247        |
| Other fees                              | 14,535       | 25,031       |
| Other revenue from local sources        | 93,948       | 259,974      |
| Donations                               | 33,009       | 29,874       |
| Interest                                | 1,703        | 15,745       |
| Sale of capital assets                  | 1,105        | 160          |
| Insurance recoveries                    | 87,377       | 364,439      |
| Transfers in                            | -            | 10,882       |
| Total revenues                          | 3,889,163    | 3,791,705    |
| Expenses                                |              |              |
| Instructional                           |              |              |
| Regular instruction                     | 1,657,487    | 1,435,773    |
| Exceptional instruction                 | 188,044      | 159,802      |
| Other instruction                       | 75,574       | 150,277      |
| Support services                        |              |              |
| Pupil services                          | 114,673      | 66,021       |
| Instructional media services            | 8,414        | 7,218        |
| Instructional staff training services   | 21,015       | 14,353       |
| Instructional related technology        | 58,682       | 29,500       |
| Board services                          | 22,600       | 13,489       |
| General administrative services         | 175,185      | 161,636      |
| Facilities acquisition and construction | 8,609        | 180,151      |
| School administrative services          | 248,877      | 223,735      |
| Fiscal services                         | 3,182        | 2,915        |
| Food services                           | 131,483      | 108,120      |
| Pupil transportation services           | 43,040       | 43,894       |
| Plant operations                        | 261,665      | 202,274      |
| Maintenance services                    | 73,756       | 52,452       |
| Community services                      | 17,290       | 21,119       |
| Depreciation                            | 303,199      | 273,568      |
| Interest                                | 130,245      | 211,212      |
| Debt services fees                      | 118,623      | -            |
| Total expenses                          | 3,661,643    | 3,357,509    |
| Increase in net position                | \$ 227,520   | \$ 434,196   |

For the year ended June 30, 2021, governmental activities' revenues and exceeded expenses by \$227,520. Total revenues increased \$97,458 over the previous year. Revenues increased primarily as a result of an increase in revenue from Bay County District School Board partially offset by a decrease in insurance proceeds related to Hurricane Michael. Total expenses increased \$304,134 from the previous year. Expenses increased primarily as a result of an increase in regular instructional costs and debt service fees associated with the bond refunding.

Intergovernmental receipts generated 93% of the revenues of the governmental activities. Most of the governmental resources were expensed for regular and exceptional instruction (50%), general and school administrative services (12%), depreciation (8%), plant operations and maintenance (9%), and interest expense (4%).

**Financial Analysis of the School's Fund**

**Governmental Fund**

**General Fund**

The main operating fund of the School is the general fund. As of June 30, 2021, total assets were \$5,130,994 and total liabilities were \$188,267. At the end of fiscal year 2021, the unassigned fund balance was \$4,367,424.

**Analysis of General Fund Budget Variations**

For the year ended June 30, 2021, the general fund expenditures, including other financing uses, exceeded the final budget by 82% and revenues, including other financing sources, exceeded the final budget by 86% primarily due to unbudgeted increases related to refinancing debt.

**Capital Assets Activity**

The following schedule provides a summary of the School's capital assets. The School's total investment in capital assets as of June 30, 2021, was \$5,145,946 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, computers, and furniture, fixtures and equipment.

**Capital Assets  
(Net of Accumulated Depreciation)  
Governmental Activities**

| June 30,                 | 2021       | 2020       |
|--------------------------|------------|------------|
| Land                     | \$ 314,000 | \$ 314,000 |
| Construction in progress | 39,081     | 29,287     |
| Buildings                | 3,637,438  | 3,662,999  |

(Continued)

| June 30,                          | 2021                | 2020                |
|-----------------------------------|---------------------|---------------------|
| Improvements                      | \$ 522,027          | \$ 363,410          |
| Computers                         | 133,945             | 99,809              |
| Furniture, fixtures and equipment | 499,455             | 512,566             |
| <b>Total</b>                      | <b>\$ 5,145,946</b> | <b>\$ 4,982,071</b> |

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

### Debt Management

At the end fiscal year 2021, the School had total bond debt outstanding in the amount of \$3,328,500.

#### Outstanding Bond Debt Payable Governmental Activities

| June 30,              | 2021         | 2020         |
|-----------------------|--------------|--------------|
| Revenue bonds payable | \$ 3,328,500 | \$ 3,463,250 |

At June 30, 2021, the School had total debt outstanding for a capital lease in the amount of \$158,058.

#### Outstanding Capital Lease Payable Governmental Activities

| June 30,              | 2021       | 2020       |
|-----------------------|------------|------------|
| Capital lease payable | \$ 158,058 | \$ 191,226 |

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

### Economic Factors and Next Year's Budget

In setting the budget for FY 2022, the School considered a number of issues, among them:

- Increased curriculum costs due to the need to address learning loss because of the Covid-19 pandemic.
- Increased technology costs due to the need of student instruction both in and out of the classroom.
- Increased professional development to address the needs of the educators in the classroom.
- Increased facility costs in order to meet the needs of the students and increase demand for enrollment.
- Increased maintenance costs due to aging of facility.

- Increased salary and benefit costs due to higher salary and rising FRS, both statutory requirements.
- Increased CARES Act Funding.

### **Contacting the School's Finance Department**

This financial report is designed to provide a general overview of Bay Haven Charter Academy Middle School's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Bay Haven Charter Academy, Inc.'s Finance Department, 2501 Hawks Landing Blvd, Panama City, Florida 32405. You may visit the School's website at <http://www.bayhaven.org>.

**Bay Haven Charter Academy Middle School**  
**Statement of Net Position and Governmental**  
**Fund Balance Sheet**  
**June 30, 2021**

|   | <b>General<br/>Fund</b> | <b>Adjustments<br/>(Note 2)</b> | <b>Statement<br/>of Net Position</b> |
|---|-------------------------|---------------------------------|--------------------------------------|
| <b>Assets</b>                                   |                         |                                 |                                      |
| Cash and cash equivalents                       | \$ 4,388,541            | \$ -                            | \$ 4,388,541                         |
| Investments                                     | 410,846                 | -                               | 410,846                              |
| Restricted investments                          | 63,894                  | -                               | 63,894                               |
| Accounts receivable, net                        | 68,282                  | 88,530                          | 156,812                              |
| Due from other schools                          | 127,713                 | -                               | 127,713                              |
| Inventory                                       | 2,470                   | -                               | 2,470                                |
| Prepays   | 69,248                  | -                               | 69,248                               |
| Other assets                                    | -                       | 4,456                           | 4,456                                |
| Capital assets, net                             | -                       | 5,145,946                       | 5,145,946                            |
| Total assets                                    | <u>5,130,994</u>        | <u>5,238,932</u>                | <u>10,369,926</u>                    |
| <b>Deferred outflows of resources</b>           |                         |                                 |                                      |
| Deferred outflows related to pensions           | -                       | 665,764                         | 665,764                              |
| Deferred outflows from loss on bond refunding   | -                       | 36,490                          | 36,490                               |
| Total deferred outflows of resources            | <u>-</u>                | <u>702,254</u>                  | <u>702,254</u>                       |
| Total assets and deferred outflows of resources | <u>\$ 5,130,994</u>     | <u>5,941,186</u>                | <u>11,072,180</u>                    |
| <b>Liabilities</b>                              |                         |                                 |                                      |
| Accounts payable and<br>accrued expenses        | \$ 125,026              | -                               | 125,026                              |
| Accrued salaries and benefits                   | 1,726                   | -                               | 1,726                                |
| Unearned revenue                                | 61,515                  | -                               | 61,515                               |
| Interest payable                                | -                       | 41,606                          | 41,606                               |
| Long-term liabilities                           |                         |                                 |                                      |
| Due within one year                             |                         |                                 |                                      |
| Capital lease, current portion                  | -                       | 35,214                          | 35,214                               |
| Accrued compensated absences, current portion   | -                       | 21,778                          | 21,778                               |
| Revenue bonds, current portion                  | -                       | 36,750                          | 36,750                               |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Bay Haven Charter Academy Middle School  
Statement of Net Position and Governmental  
Fund Balance Sheet (Continued)  
June 30, 2021**

|   | <b>General<br/>Fund</b> | <b>Adjustments<br/>(Note 2)</b> | <b>Statement<br/>of Net Position</b> |
|---|-------------------------|---------------------------------|--------------------------------------|
| Due in more than one year   |                         |                                 |                                      |
| Capital lease, net of current portion                                     | \$ -                    | \$ 122,844                      | \$ 122,844                           |
| Accrued compensated absences, net of<br>current portion                   | -                       | 12,211                          | 12,211                               |
| Net pension liability   | -                       | 1,806,516                       | 1,806,516                            |
| Revenue bonds, net of current portion                                     | -                       | 3,291,750                       | 3,291,750                            |
| Total liabilities   | <u>188,267</u>          | <u>5,368,669</u>                | <u>5,556,936</u>                     |
| <b>Deferred inflows of resources</b>                                      |                         |                                 |                                      |
| Deferred inflows related to pensions                                      | -                       | 67,007                          | 67,007                               |
| Total deferred inflows of resources                                       | <u>-</u>                | <u>67,007</u>                   | <u>67,007</u>                        |
| <b>Fund balance/net position</b>  |                         |                                 |                                      |
| Fund balance  |                         |                                 |                                      |
| Nonspendable  | 71,718                  | (71,718)                        | -                                    |
| Restricted  | 341,783                 | (341,783)                       | -                                    |
| Assigned  | 161,802                 | (161,802)                       | -                                    |
| Unassigned  | 4,367,424               | (4,367,424)                     | -                                    |
| Total fund balance  | <u>4,942,727</u>        | <u>(4,942,727)</u>              | <u>-</u>                             |
| <br>Total liabilities, deferred inflows of resources,<br>and fund balance | <br><u>\$ 5,130,994</u> | <br>492,949                     | <br><u>5,623,943</u>                 |
| <br>Net position  |                         |                                 |                                      |
| Net investment in capital assets  |                         | 1,695,878                       | 1,695,878                            |
| Restricted  |                         | 300,177                         | 300,177                              |
| Unrestricted  |                         | 3,452,182                       | 3,452,182                            |
| Total net position  |                         | <u>\$ 5,448,237</u>             | <u>\$ 5,448,237</u>                  |

*The accompanying notes are an integral part of these financial statements.*

**Bay Haven Charter Academy Middle School**  
**Statement of Activities and Governmental Fund Revenues,**  
**Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2021**

|   | <b>General<br/>Fund</b> | <b>Adjustments<br/>(Note 2)</b> | <b>Statement<br/>of Activities</b> |
|---|-------------------------|---------------------------------|------------------------------------|
| <b>Revenues</b>                         |                         |                                 |                                    |
| Intergovernmental                       | \$ 3,534,396            | \$ 88,530                       | \$ 3,622,926                       |
| Before and aftercare fees               | 31,874                  | -                               | 31,874                             |
| Lunchroom fees                          | 2,686                   | -                               | 2,686                              |
| Other fees                              | 14,535                  | -                               | 14,535                             |
| Other revenue from local sources        | 93,948                  | -                               | 93,948                             |
| Donations                               | 33,009                  | -                               | 33,009                             |
| Interest                                | 1,703                   | -                               | 1,703                              |
| Total revenues                          | <u>3,712,151</u>        | <u>88,530</u>                   | <u>3,800,681</u>                   |
| <b>Expenditures/expenses</b>            |                         |                                 |                                    |
| Instructional                           |                         |                                 |                                    |
| Regular instruction                     | 1,510,637               | 146,850                         | 1,657,487                          |
| Exceptional instruction                 | 174,325                 | 13,719                          | 188,044                            |
| Other instruction                       | 75,574                  | -                               | 75,574                             |
| Support services                        |                         |                                 |                                    |
| Pupil services                          | 106,255                 | 8,418                           | 114,673                            |
| Instructional media services            | 7,940                   | 474                             | 8,414                              |
| Instructional staff training services   | 21,015                  | -                               | 21,015                             |
| Instructional related technology        | 58,682                  | -                               | 58,682                             |
| Board services                          | 22,600                  | -                               | 22,600                             |
| General administrative services         | 164,533                 | 10,652                          | 175,185                            |
| Facilities acquisition and construction | 8,609                   | -                               | 8,609                              |
| School administrative services          | 234,190                 | 14,687                          | 248,877                            |
| Fiscal services                         | 3,182                   | -                               | 3,182                              |
| Food services                           | 127,553                 | 3,930                           | 131,483                            |
| Pupil transportation services           | 40,603                  | 2,437                           | 43,040                             |
| Plant operations                        | 256,677                 | 4,988                           | 261,665                            |
| Maintenance services                    | 72,322                  | 1,434                           | 73,756                             |
| Community services                      | 16,354                  | 936                             | 17,290                             |
| Capital outlay                          |                         |                                 |                                    |
| Site, building and equipment            | 467,074                 | (467,074)                       | -                                  |
| Depreciation                            | -                       | 303,199                         | 303,199                            |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Bay Haven Charter Academy Middle School**  
**Statement of Activities and Governmental Fund Revenues,**  
**Expenditures and Changes in Fund Balance (Continued)**  
**Year Ended June 30, 2021**

|  | <b>General<br/>Fund</b> | <b>Adjustments<br/>(Note 2)</b> | <b>Statement<br/>of Activities</b> |
|--|-------------------------|---------------------------------|------------------------------------|
| Debt service   |                         |                                 |                                    |
| Principal and interest   | \$ 278,794              | \$ (148,549)                    | \$ 130,245                         |
| Debt service fees  | 118,623                 | -                               | 118,623                            |
| Total expenditures/expenses  | <u>3,765,542</u>        | <u>(103,899)</u>                | <u>3,661,643</u>                   |
| <b>Excess (deficit) of revenues over (under)<br/>expenditures/change in net position</b> | <u>(53,391)</u>         | <u>192,429</u>                  | <u>139,038</u>                     |
| Other financing sources (uses)   |                         |                                 |                                    |
| Proceeds from bond refunding   | 3,328,500               | (3,328,500)                     | -                                  |
| Payments to refunding escrow agent   | (3,408,741)             | 3,408,741                       | -                                  |
| Insurance recoveries   | 87,377                  | -                               | 87,377                             |
| Sale of capital assets   | 1,105                   | -                               | 1,105                              |
| Total other financing sources (uses)   | <u>8,241</u>            | <u>80,241</u>                   | <u>88,482</u>                      |
| <b>Net change in fund balance/net position</b>   | <u>(45,150)</u>         | <u>272,670</u>                  | <u>227,520</u>                     |
| <b>Fund balance/net position - beginning of year</b>                                     | <u>4,987,877</u>        | <u>232,840</u>                  | <u>5,220,717</u>                   |
| <b>Fund balance/net position - end of year</b>   | <u>\$ 4,942,727</u>     | <u>\$ 505,510</u>               | <u>\$ 5,448,237</u>                |

*The accompanying notes are an integral part of these financial statements.*



**Bay Haven Charter Academy Middle School**  
**Statement of Revenues and Expenditures – Budget and**  
**Actual – General Fund**  
**Year Ended June 30, 2021**

|   | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget |
|---|------------------|--------------|-------------------|-------------------------------|
|   | Original         | Final        |                   |                               |
| <b>Revenues</b>   |                  |              |                   |                               |
| Intergovernmental   | \$ 3,571,535     | \$ 3,571,535 | \$ 3,534,396      | \$ (37,139)                   |
| Before and aftercare fees   | 38,985           | 38,985       | 31,874            | (7,111)                       |
| Lunchroom fees  | 5,694            | 5,694        | 2,686             | (3,008)                       |
| Other fees  | 27,423           | 27,423       | 14,535            | (12,888)                      |
| Other revenue from local sources                                  | 159,557          | 159,557      | 93,948            | (65,609)                      |
| Donations   | 5,000            | 5,000        | 33,009            | 28,009                        |
| Interest  | 5,743            | 5,743        | 1,703             | (4,040)                       |
| Total revenues  | 3,813,937        | 3,813,937    | 3,712,151         | (101,786)                     |
| <b>Expenditures</b>   |                  |              |                   |                               |
| Instructional   |                  |              |                   |                               |
| Regular instruction   | 1,815,702        | 1,815,702    | 1,510,637         | 305,065                       |
| Exceptional instruction   | 186,115          | 186,115      | 174,325           | 11,790                        |
| Other instruction   | 153,135          | 153,135      | 75,574            | 77,561                        |
| Support services  |                  |              |                   |                               |
| Pupil services  | 118,452          | 118,452      | 106,255           | 12,197                        |
| Instructional media services                                      | 7,347            | 7,347        | 7,940             | (593)                         |
| Instructional staff training services                             | 45,268           | 45,268       | 21,015            | 24,253                        |
| Instructional related technology                                  | 10,351           | 10,351       | 58,682            | (48,331)                      |
| Board services  | 15,938           | 15,938       | 22,600            | (6,662)                       |
| General administrative services                                   | 174,871          | 174,871      | 164,533           | 10,338                        |
| Facilities acquisition<br>and construction                        | -                | -            | 8,609             | (8,609)                       |
| School administrative services                                    | 235,943          | 235,943      | 234,190           | 1,753                         |
| Fiscal services   | 3,565            | 3,565        | 3,182             | 383                           |
| Food services   | 116,686          | 116,686      | 127,553           | (10,867)                      |
| Pupil transportation services                                     | 57,094           | 57,094       | 40,603            | 16,491                        |
| Plant operations  | 248,337          | 248,337      | 256,677           | (8,340)                       |
| Maintenance services  | 56,617           | 56,617       | 72,322            | (15,705)                      |
| Community services  | 16,237           | 16,237       | 16,354            | (117)                         |
| Capital outlay  |                  |              |                   |                               |
| Site, building and equipment                                      | 350,928          | 350,928      | 467,074           | (116,146)                     |
| Debt service  |                  |              |                   |                               |
| Principal and interest  | 331,638          | 331,638      | 278,794           | 52,844                        |
| Debt service fees   | -                | -            | 118,623           | (118,623)                     |
| Total expenditures  | 3,944,224        | 3,944,224    | 3,765,542         | 178,682                       |
| <b>Excess (deficit) of revenues over<br/>(under) expenditures</b> | (130,287)        | (130,287)    | (53,391)          | 76,896                        |

(Continued)

*The accompanying notes are an integral part of these financial statements.*

**Bay Haven Charter Academy Middle School  
Statement of Revenues and Expenditures – Budget and  
Actual – General Fund (Continued)  
Year Ended June 30, 2021**

|   | Budgeted Amounts |              | Actual<br>Amounts | Variance with<br>Final Budget |
|---|------------------|--------------|-------------------|-------------------------------|
|   | Original         | Final        |                   |                               |
| <b>Other financing sources (uses)</b>       |                  |              |                   |                               |
| Transfers in (out)                          | \$ 17,000        | \$ 17,000    | \$ -              | \$ (17,000)                   |
| Proceeds from bond refunding                | -                | -            | 3,328,500         | 3,328,500                     |
| Payments to refunding escrow agent          | -                | -            | (3,408,741)       | (3,408,741)                   |
| Insurance recoveries                        | -                | -            | 87,377            | 87,377                        |
| Sale of capital assets                      | -                | -            | 1,105             | 1,105                         |
| <b>Total other financing sources (uses)</b> | 17,000           | 17,000       | 8,241             | (8,759)                       |
| <b>Net change in fund balance</b>           | \$ (113,287)     | \$ (113,287) | \$ (45,150)       | \$ 68,137                     |

*The accompanying notes are an integral part of these financial statements.*

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Bay Haven Charter Academy Middle School (School), a component unit of Bay County District School Board (District), was organized in April 2001 as a Florida nonprofit corporation. The School was granted a charter from the District to operate a public school, grades 6<sup>th</sup> through 8<sup>th</sup> within the school district. The charter expires March 5, 2029. The District has the option to terminate the Charter before its expiration based on circumstances, as defined in the agreement.

#### ***Reporting Entity***

Bay Haven Charter Academy Middle School is one of five schools under the parent company, Bay Haven Charter Academy, Inc. Bay Haven Charter Academy Elementary School, Bay Haven Charter Academy Middle School, North Bay Haven Charter Elementary School, North Bay Haven Charter Middle School and North Bay Haven Charter Career Academy all have a common board of directors and common management under Bay Haven Charter Academy, Inc.

These financial statements include only the balances and activity of Bay Haven Charter Academy Middle School. They have been prepared for the purpose of complying with Section 10.850, *Rules of the Auditor General for Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers*, and are not intended to be a complete presentation of the financial position or the changes in financial position of Bay Haven Charter Academy, Inc. or of Bay County District School Board.

Based on the guidance provided in the American Institute of Certified Public Accountants, *Audit and Accounting Guide - Not-for-Profit Organizations*, and the provisions of Section 218.39(e), Florida Statutes, each charter school established under Florida Statutes 1002.33 is a governmental organization for financial reporting purposes. The accompanying financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for governmental accounting and financial reporting.

The accounting policies of the School conform to GAAP as applied to governmental units. The more significant accounting policies used by the School are described below.

#### ***Government-wide and Fund Financial Statements***

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

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

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues (other than insurance recoveries and grants) to be available if they are collected within 60 days of the end of the current fiscal period. The School considers insurance recoveries and grants available if approved by the third party within 90 days of the end of the current fiscal period and collected within one year of year-end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

# Bay Haven Charter Academy Middle School

## Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Government-wide Financial Statements***

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transfers between the Schools within Bay Haven Charter Academy, Inc.

#### ***Fund Financial Statements***

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

The School reports the following major governmental fund:

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

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

#### ***Budgetary Information***

##### ***Budgetary basis of accounting***

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the fund financial statements.

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### *Excess of expenditures over appropriations*

For the year ended June 30, 2021, the operating expenditures were within the budget. However, including other financing uses, expenditures exceeded appropriations in total by \$3,230,059, due to the bond refunding during the year that was not considered in the budget. While Florida Statutes 1022.33(9) requires charter schools to adopt and maintain an annual budget they are legally allowed to overspend their budget.

#### ***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position***

##### *Cash and cash equivalents*

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term highly liquid debt instruments with original maturities of three months or less.

##### *Investments*

Investments of the School meet the specified criteria in GASB Codification Section 150: *Investments* to qualify to elect to measure their investments at amortized cost. Accordingly, the fair value of the School's position in investments is equal to the value of the pooled shares.

##### *Receivables and payables*

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. There was no allowance for uncollectible amounts considered necessary at June 30, 2021.

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

##### *Inventory and prepaids*

Inventory is valued at cost using the first-in/first-out method and consists of food service supplies. The cost of such inventory is recorded as an expenditure/expense when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the government-wide and fund financial statements. The cost of prepaids are recorded as an expenditure/expense when consumed rather than when purchased.

# Bay Haven Charter Academy Middle School

## Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Restricted assets*

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

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

#### *Capital assets*

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

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the School has chosen to include all such items regardless of their acquisition date or amount. The School was able to estimate the historical cost for the initial reporting of these assets through back-trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the School constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

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

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

#### *Deferred outflows/inflows of resources*

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The School has two items that qualify for reporting as deferred outflows of resources, the *deferred outflows related to pensions* and the *deferred outflows from loss on bond refunding*, which are reported in the government-wide statement of net position. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years. The deferred outflows from loss on bond refunding results from the difference in the carrying value of refunded bond and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding bond.

In addition to liabilities, the statement of financial position sometimes reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting as deferred inflows of resources. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

#### *Compensated absences*

The School's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable. Accumulated sick leave lapses when employees leave the employ of the School and, accordingly upon separation from service, no monetary obligation exists.

#### *Long-term obligations*

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

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



## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### *Capital lease obligations*

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

#### *Pensions*

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

#### *Categories and classification of fund equity*

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

*Fund balance flow assumptions* – Sometimes the School will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

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

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

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

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

#### ***Revenues and Expenditures/Expenses***

Revenues for current operations are received primarily from the State of Florida through the District pursuant to the funding provisions included in the 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 students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon 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 basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes.

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

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### **Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

#### ***Encumbrances***

Encumbrance accounting, under which purchase orders, contracts, and other commitments for expenditure of monies are recorded as reservations of budget, is employed as an extension of the statutory required budgetary process. At year-end, outstanding encumbrances represent material purchase commitments for goods and services which were ordered, budgeted, and appropriated, but had not been received or completed at date. Although encumbrances lapse at year-end, it is the intention to substantially honor these encumbrances under authority provided in the subsequent year's budget. At year-end encumbrances in the general fund totaled \$56,697.

#### ***Income Taxes***

Bay Haven Charter Academy, Inc. (Company) is responsible for the income taxes of the schools under its control, including Bay Haven Charter Academy Middle School. The Company is a nonprofit corporation whose revenue is derived primarily from its five charter schools. The Company is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements. The Company has no unrelated business taxable income for the year ended June 30, 2021. The Company's federal income tax returns for 2018, 2019, and 2020 are subject to examination by the Internal Revenue Service. Tax returns are generally subject to examination for three years after they are filed.

#### ***Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

#### ***Subsequent Events***

Management has evaluated subsequent events through November 29, 2021, the date that the financial statements were available to be issued. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### ***Recently Issued and Implemented Accounting Pronouncements***

In fiscal year 2021, the School implemented GASB Statement No. 84, *Fiduciary Activities*. This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB Statement No. 84 was implemented July 1, 2020. Implementation of the new standard did not affect the beginning fund balances.

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

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement were postponed by GASB Statement No. 95 to be effective for reporting periods beginning after June 15, 2021.

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

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

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The total fund balance of the School's general fund (\$4,942,727) on the governmental funds balance sheet differs from the net position of governmental activities (\$5,448,237) reported in the statement of net position. This difference results primarily from the long-term economic focus of the statement of net position versus the current financial resources focus of the governmental funds balance sheet. Details of this difference are as follows:

#### ***Other Assets***

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

|                  |                 |
|------------------|-----------------|
| Utility deposits | \$ <u>4,456</u> |
|------------------|-----------------|

#### ***Capital Related Items***

When capital assets that are to be used in governmental activities are purchased or constructed, the costs of those assets are reported as expenditures in governmental funds. However, the statement of net position includes those capital assets of the School.

|   |                     |
|---|---------------------|
| Cost of capital assets                          | \$ 7,809,870        |
| Accumulated depreciation                        | (2,663,924)         |
| Capital assets, net of accumulated depreciation | \$ <u>5,145,946</u> |

#### ***Long-term Debt***

Long-term liabilities applicable to the School's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position.

|                              |                     |
|------------------------------|---------------------|
| Revenue bonds payable        | \$ 3,328,500        |
| Accrued compensated absences | 33,989              |
| Net pension liability        | 1,806,516           |
| Capital lease payable        | 158,058             |
| Total long-term liabilities  | \$ <u>5,327,063</u> |

#### ***Interest on Long-term Liabilities***

Interest due on long-term liabilities applicable to the School's governmental activities are not reported as fund liabilities. All liabilities are reported in the statement of net position.

|                  |                  |
|------------------|------------------|
| Interest payable | \$ <u>41,606</u> |
|------------------|------------------|

**Bay Haven Charter Academy Middle School**  
**Notes to Financial Statements**

**Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)**

***Deferred Outflows of Resources for Bond Refunding***

The deferred loss on bond refunding is not expensed in the government-wide statements but is reported as deferred outflows of resources and amortized over the life of the debt.

|                                   |           |
|-----------------------------------|-----------|
| Deferred loss from bond refunding | \$ 36,490 |
|-----------------------------------|-----------|

***Deferred Inflows and Outflows of Resources Related to Pensions***

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

|   |            |
|---|------------|
| Deferred outflows of resources                        | \$ 665,764 |
| Deferred inflows of resources                         | (67,007)   |
| Deferred inflows and outflows of resources - pensions | \$ 598,757 |

***Accounts Receivable***

Certain grants receivable are recognized as revenues in the government-wide statements but not reported in the governmental funds as they are not considered available.

|                     |           |
|---------------------|-----------|
| Accounts receivable | \$ 88,530 |
|---------------------|-----------|

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

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

|   |            |
|---|------------|
| Capital outlay  | \$ 467,074 |
| Depreciation  | (303,199)  |
| Net adjustment to increase net change in fund balance – total governmental funds to arrive at change in net position of governmental activities | \$ 163,875 |

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

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

|   |    |         |
|---|----|---------|
| Compensated absences  | \$ | 24,816  |
| Pension expense   |    | 183,709 |
| Net adjustment to decrease net change in fund balance - total governmental funds to arrive at change in net position of governmental activities |    | 208,525 |

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

|   |    |             |
|---|----|-------------|
| Principal payments  | \$ | 124,168     |
| Change in accrued interest  |    | 24,381      |
| Payments to refunding escrow agent  |    | 3,408,741   |
| Proceeds from bond refunding  |    | (3,328,500) |
| Net adjustment to increase net change in fund balance - total governmental funds to arrive at change in net position of governmental activities | \$ | 228,790     |

### Note 3: DETAILED NOTES ON ALL FUNDS

#### *Deposits and Investments*

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

The School does not have an investment policy. Florida Statutes, Section 218.415, authorizes the School to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Section 163.01
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency
- Interest bearing time deposits or savings accounts in qualified public depositories, as defined in Section 280.02
- Direct obligations of the U.S. Treasury

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

#### *Deposits and Investments (Continued)*

The School's investments are held by a Securities Investor Protection Corporation (SIPC) member which insures balances up to \$500,000 with a \$250,000 limit on cash. The School's investments are in government money market funds, with a single brokerage firm, which qualifies as an external investment pool. At June 30, 2021, the School's investment total was \$474,740. The fair value of the School's position in the pool is equal to the value of the pooled shares or net asset value. Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of June 30, 2021, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the School's access to 100 percent of their account value in either external investment pool. The credit rating of the investments is AAAM with a weighted average maturity of 54 days.

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

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

*Credit risk* – Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The School follows Florida Statutes 218.415(17) as their investment policy which limits investments to securities with specific ranking criteria.

*Concentration risk* – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The School's investment policy does not address concentration risk. As of June 30, 2021, the School had investments of \$408,001 which were uninsured. However, all cash deposits were collateralized through Florida's multiple institution collateralized pool.



## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

#### **Restricted Investments**

At June 30, 2021, the School had \$63,894 in restricted investments for sinking fund and reserve requirements related to their outstanding debt.

#### **Accounts Receivable, Net**

As of June 30, 2021, the School's accounts receivable, net of allowance for doubtful accounts, is summarized as follows:

|                                 | General<br>Fund Accounts<br>Receivable | Governermental<br>Activities' Accounts<br>Receivable |
|---------------------------------|--|--|
| District revenues               | \$ 56,562                              | \$ 145,092   |
| Employee deduction              | 11,720                                 | 11,720   |
| Total accounts receivable       | 68,282                                 | 156,812  |
| Allowance for doubtful accounts | -                                      | -  |
| Accounts receivable, net        | \$ 68,282                              | \$ 156,812   |

#### **Related Party Receivables, Payables, and Transfers**

The District has granted charters for five schools that operate under the parent company, Bay Haven Charter Academy, Inc. During the year, the schools are operated together using intercompany payables, receivables and transfers as needed. At June 30, 2021, \$127,713 was due to Bay Haven Charter Academy Middle School from the other schools for operating purposes. During the year ended June 30, 2021, no amounts were transferred into the School from other schools or from Bay Haven Charter Academy Middle School to the other schools.

#### **Capital Assets**

Capital assets balances and activity for the year ended June 30, 2021 are as follows:

|                                      | Balance<br>June 30, 2020 | Additions  | Deletions | Transfers | Balance<br>June 30, 2021 |
|--------------------------------------|--------------------------|------------|-----------|-----------|--------------------------|
| Buildings                            | \$ 5,281,518             | \$ 114,444 | \$ -      | \$ -      | \$ 5,395,962             |
| Furniture, fixtures<br>and equipment | 1,070,644                | 45,092     | (106,866) | -         | 1,008,870                |
| Computers                            | 349,182                  | 92,847     | (131,785) | -         | 310,244                  |

(Continued)

**Bay Haven Charter Academy Middle School**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

**Capital Assets (Continued)**

|   | Balance             |                   |                  |             | Balance             |
|---|---------------------|-------------------|------------------|-------------|---------------------|
|   | June 30, 2020       | Additions         | Deletions        | Transfers   | June 30, 2021       |
| Improvements other than buildings                     | \$ 536,816          | \$ 195,104        | \$ -             | \$ 9,793    | \$ 741,713          |
| Land  | 314,000             | -                 | -                | -           | 314,000             |
| Construction in process                               | 29,287              | 19,587            | -                | (9,793)     | 39,081              |
| Total capital assets                                  | <u>7,581,447</u>    | <u>467,074</u>    | <u>(238,651)</u> | <u>-</u>    | <u>7,809,870</u>    |
| Less accumulated depreciation                         |                     |                   |                  |             |                     |
| Buildings   | (1,618,519)         | (140,005)         | -                | -           | (1,758,524)         |
| Furniture, fixtures and equipment                     | (558,078)           | (58,203)          | 106,866          | -           | (509,415)           |
| Computers   | (249,373)           | (58,711)          | 131,785          | -           | (176,299)           |
| Improvements other than buildings                     | (173,406)           | (46,280)          | -                | -           | (219,686)           |
| Total accumulated depreciation                        | <u>(2,599,376)</u>  | <u>(303,199)</u>  | <u>238,651</u>   | <u>-</u>    | <u>(2,663,924)</u>  |
| Total capital assets, net of accumulated depreciation | <u>\$ 4,982,071</u> | <u>\$ 163,875</u> | <u>\$ -</u>      | <u>\$ -</u> | <u>\$ 5,145,946</u> |

The cost of capital assets acquired under capital leases is \$623,388, less accumulated depreciation of \$278,518, for a net carrying value of \$344,870 at June 30, 2021.

Depreciation expense of \$303,199 was charged to governmental activities. Depreciation expense was not allocated to specific functions as their capital assets essentially serve all functions.

**Long-term Debt and Liabilities – Defeased Debt – Direct Borrowings**

On July 1, 2004, Bay County issued \$11,600,000 Educational Facilities Revenue Bonds, series 2004 for Bay Haven Charter Academy, Inc. The bonds were issued for the purpose of: (i) paying the costs to acquire and construct a school facility and (ii) paying the costs and expenses related to the issuance of the bonds. The bonds bear interest at the Weekly Rate. Amortization is forecasted using an average interest rate of 4.5%.

On September 14, 2010 Bay Haven Charter Academy, Inc. refinanced its outstanding 2004 bonds in the amount of \$11,755,000 at a rate starting at 3.5% increasing over the life of the bond to 6.0% that matures September 1, 2040. Of the total bond, \$4,114,250 was allocated to Bay Haven Charter Academy Middle School. The bonds are secured by a lien on the land on which the schools sit and all assets thereon and a pledge of all capital funds and charter school operating funds appropriated each year to the District for operation of the School and any additional revenues generated by the operation of the School or leasing of

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

#### *Long-term Debt and Liabilities – Defeased Debt – Direct Borrowings (Continued)*

the School. For the year ended June 30, 2021, principal and interest payments on the bond required 5.1% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were \$189,982 and \$3,713,256 respectively.

On October 1, 2020 Bay Haven Charter Academy, Inc. refinanced its outstanding 2010 bonds in the amount of \$9,510,000 at a rate starting at 3.0%. Of the total bond, \$3,328,500 was allocated to Bay Haven Charter Academy Middle School. The bonds are secured by a lien on the land on which the schools sit and all assets thereon and a pledge of all capital funds and charter school operating funds appropriated each year to the District for operation of the schools and any additional revenues generated by the operation of the schools or leasing of the schools. The remaining principal and interest payments on this debt as of June 30, 2021 total \$4,717,621. For the year ended June 30, 2021, principal and interest payments on the bond required 1% of pledged revenues. Principal and interest payments paid and pledged revenues for the year were \$45,073 and \$3,713,256 respectively.

In the event of default occurring and continuing, the trustee may declare the principal of all bonds to be due and payable immediately.

Debt service requirements to maturity on revenue bonds payable at June 30, 2021 are as follows:

| Year ending<br>June 30, | Principal           | Interest            | Total               |
|-------------------------|---------------------|---------------------|---------------------|
| 2022                    | \$ 36,750           | \$ 124,130          | \$ 160,880          |
| 2023                    | 154,000             | 120,553             | 274,553             |
| 2024                    | 159,250             | 114,680             | 273,930             |
| 2025                    | 166,250             | 108,577             | 274,827             |
| 2026                    | 141,750             | 102,802             | 244,552             |
| 2027-2031               | 735,000             | 433,781             | 1,168,781           |
| 2032-2036               | 880,250             | 282,977             | 1,163,227           |
| 2037-2041               | 1,055,250           | 101,621             | 1,156,871           |
| <b>Total</b>            | <b>\$ 3,328,500</b> | <b>\$ 1,389,121</b> | <b>\$ 4,717,621</b> |

On December 3, 2004, Bay Haven Charter Academy, Inc. entered into a capital lease with Geo-Energy for a geothermal heating and air conditioning system. Of the lease agreement 35% is allocated to the School. Payments began on August 1, 2005, with monthly payments due in the amount of \$10,414 for 240 months, which includes interest of 6%. \$3,645 of the monthly payments are allocated to the School. In the event of default, or the lessee enters bankruptcy or insolvency proceedings, the lessor can declare the entire amount of rent hereunder immediately due and payable without notice or demand to the lessee.

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 3: DETAILED NOTES ON ALL FUNDS (Continued)

#### *Long-term Debt and Liabilities – Defeased Debt – Direct Borrowings (Continued)*

Debt service requirements for the capital lease at June 30, 2021 are as follows:

| Year ending<br>June 30, | Principal         | Interest         | Total             |
|-------------------------|-------------------|------------------|-------------------|
| 2022                    | \$ 35,214         | \$ 8,526         | \$ 43,740         |
| 2023                    | 37,386            | 6,354            | 43,740            |
| 2024                    | 39,692            | 4,048            | 43,740            |
| 2025                    | 42,140            | 1,600            | 43,740            |
| 2026                    | 3,626             | 1                | 3,627             |
| <b>Total</b>            | <b>\$ 158,058</b> | <b>\$ 20,529</b> | <b>\$ 178,587</b> |

#### *Short-term Debt*

At June 30, 2021, Bay Haven Charter Academy, Inc. has two lines of credit for a total of \$750,000. Both lines have variable interest rates. The first line of credit which matured in August 2021, has an interest rate of LIBOR plus 2.75%, which was 2.84% at June 30, 2021, and is secured by a second lien on assignments and pledged revenues. The second line of credit, which matures in May 2023 has an interest rate 1% above the lender's prime rate, which was 4.25% at June 30, 2021, and is secured by a money market account with a balance of \$351,249. During the year, there were no proceeds or repayments on the lines of credit and the balance outstanding at June 30, 2021 was \$0.

#### *Accrued Compensated Absences*

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

- Twelve-month employees: All exempt twelve-month employees are able to carryover and accrue up to a maximum of 40 hours of current year vacation time each year. If the employee has been employed by the School at least five years they may sell back their unused vacation time over the maximum allowed rollover hours for that particular benefit period. No employee is permitted to carry over more than 240 accrued hours of vacation to the next benefit period. After five years of service, upon termination of employment, these employees are eligible to receive pay for accrued unused vacation time.
- Ten-month employees: All ten-month employees are able to carryover and accrue up to a maximum of 16 hours of current year personal leave time. All unused personal leave in excess of 16 hours for that benefit period will be paid out at the employee's rate of pay at the end of the contract. No ten-month employee is permitted to carry over more than 22 accrued personal leave days to the next benefit period.

As of June 30, 2021, the School had \$33,989 in accrued compensated absences, of which \$21,778 was estimated to be current and \$12,211 was long-term.

**Bay Haven Charter Academy Middle School**  
**Notes to Financial Statements**

**Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

***Changes in Long-term Liabilities***

Long-term liability activity for the year ended June 30, 2021, was as follows for governmental activities:

|                                    | Beginning<br>Balance | Additions    | Reductions     | Ending<br>Balance | Due Within<br>One Year |
|------------------------------------|----------------------|--------------|----------------|-------------------|------------------------|
| <b>Governmental activities</b>     |                      |              |                |                   |                        |
| Capital lease                      | \$ 191,226           | \$ -         | \$ (33,168)    | \$ 158,058        | \$ 35,214              |
| Revenue bonds -                    |                      |              |                |                   |                        |
| direct borrowings                  | 3,463,250            | 3,328,500    | (3,463,250)    | 3,328,500         | 36,750                 |
| Compensated absences               | 26,073               | 7,916        | -              | 33,989            | 21,778                 |
| Net pension liability              | 1,449,896            | 356,620      | -              | 1,806,516         | -                      |
| <b>Total governmental activity</b> |                      |              |                |                   |                        |
| long-term liabilities              | \$ 5,130,445         | \$ 3,693,036 | \$ (3,496,418) | \$ 5,327,063      | \$ 93,742              |

***Fund Balance and Net Position Restrictions***

The statement of net position and governmental fund balance sheet reports a restricted net position and fund balance of \$300,177 and \$341,783, respectively. Of these amounts \$0 is restricted by enabling legislation. The following is a description of reported restrictions at June 30, 2021.

Restricted debt service – This restriction was established in conjunction with the issuance of debt and funded by initial deposits from the proceeds of such debt and by transfers from operating funds into sinking funds. The amount restricted for debt service for fund balance and net position are \$63,894 and \$22,288, respectively. The difference is \$41,606 of accrued interest on the statement of net position.

Restricted insurance proceeds – This restriction was established based on debt agreements which require all insurance proceeds in excess of \$50,000 for encumbered property be paid directly to the Trustee and then paid out similar to the original project proceeds through requisitions. The amount restricted for insurance proceeds for fund balance restricted and net position are \$201,310.

Restricted food service – This restriction was established based on 7 CFR Section 210.14 which requires that revenues received by food service be used only for the operation or improvement of the food service program. The amount restricted for food service is \$0.

Restricted school activities – This restriction was established based on third party restrictions associated with funds received by various school activity groups that can only be used by the group who raised the funds. The amount restricted for school activities is \$76,579.

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### **Note 3: DETAILED NOTES ON ALL FUNDS (Continued)**

#### ***Fund Balance Assignments and Nonspendable Balances***

The governmental fund balance sheet reports a nonspendable balance of \$71,718. This is made up of \$69,348 in prepaids and \$2,470 in inventory.

The governmental fund balance sheet reports an assigned balance of \$161,802. This is made up of \$56,697 in assigned purchased orders and \$105,105 in funds assigned to school activities.

#### ***Net Investment in Capital Assets***

The elements of net investment in capital assets as of June 30, 2021 were; capital assets (net of accumulated depreciation) of \$5,145,946, less long-term liabilities for capital leases and revenue bonds of \$3,486,558, plus deferred loss from bond refunding of \$36,490.

### **Note 4: DEFINED BENEFIT PENSION PLANS**

#### ***General Information***

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

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 4: DEFINED BENEFIT PENSION PLANS (Continued)

#### *Florida Retirement System Pension Plan*

##### *Plan Description*

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

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

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

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

##### *Benefits Provided*

Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service

**Bay Haven Charter Academy Middle School  
Notes to Financial Statements**

**Note 4: DEFINED BENEFIT PENSION PLANS (Continued)**

credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following table shows the percentage value for each year of service credit earned:

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

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

***Health Insurance Subsidy Program***

***Plan Description***

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

***Benefits Provided***

For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Federal Medicare.



## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 4: DEFINED BENEFIT PENSION PLANS (Continued)

#### **Contributions**

The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-2021 fiscal year were as follows:

|                         | <b>Percentage of Gross Salary</b> |                     |
|-------------------------|-----------------------------------|---------------------|
|                         | <b>Employee</b>                   | <b>Employer (1)</b> |
| Regular class           | 3.00%                             | 10.00%              |
| DROP plan participants  | 0.00%                             | 16.98%              |
| FRS, reemployed retiree | note (2)                          | note (2)            |

Notes:

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

HIS is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the contribution rate was 1.66 percent of payroll pursuant to Section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which payments are authorized. HIS benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The School's contributions, totaled \$125,160 to FRS and \$28,101 to HIS for the fiscal year ended June 30, 2021.

#### **Pension Liabilities and Pension Expense**

The School reports a liability for its proportionate share of net pension liabilities. Net pension liabilities were measured as of June 30, 2020, and the total pension liabilities used to calculate the net pension liability were determined by an actuarial valuation dated July 1, 2020. The School's proportions of the net pension liability was based on the School's actuarially determined share of contributions to the pension plans, relative to the contributions of all participating entities.

| Year ended June 30, 2021 | <b>FRS</b>   | <b>HIS</b>   |
|--------------------------|--------------|--------------|
| Net pension liability    | \$ 1,239,116 | \$ 567,400   |
| Proportion at:           |              |              |
| Current measurement date | 0.002858962% | 0.004647083% |
| Prior measurement date   | 0.002748743% | 0.004497875% |
| Pension expense          | \$ 233,717   | \$ 60,200    |

**Bay Haven Charter Academy Middle School**  
**Notes to Financial Statements**

**Note 4: DEFINED BENEFIT PENSION PLANS (Continued)**

***Deferred Outflows/Inflows of Resources Related to Pensions***

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | FRS                                  |                                     |
|--|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Effect of economic/demographic gains or losses (difference between expected and actual experience)   | \$ 47,424                            | \$ -                                |
| Effect of assumptions changes or inputs  | 224,319                              | -                                   |
| Net difference between projected and actual investment earnings                                      | 73,778                               | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 39,273                               | 20,145                              |
| Contributions subsequent to the measurement date   | 125,159                              | -                                   |
| <b>Total</b>   | <b>\$ 509,953</b>                    | <b>\$ 20,145</b>                    |

|  | HIS                                  |                                     |
|--|--------------------------------------|-------------------------------------|
|  | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Effect of economic/demographic gains or losses (difference between expected and actual experience)   | \$ 23,210                            | \$ 438                              |
| Effect of assumptions changes or inputs  | 61,012                               | 32,992                              |
| Net difference between projected and actual investment earnings                                      | 453                                  | -                                   |
| Changes in proportion and differences between contributions and proportionate share of contributions | 43,035                               | 13,432                              |
| Contributions subsequent to the measurement date   | 28,101                               | -                                   |
| <b>Total</b>   | <b>\$ 155,811</b>                    | <b>\$ 46,862</b>                    |

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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 4: DEFINED BENEFIT PENSION PLANS (Continued)

| Measurement period ending June 30, | FRS Expense       | HIS Expense      |
|------------------------------------|-------------------|------------------|
| 2021                               | \$ 77,396         | \$ 27,604        |
| 2022                               | 114,627           | 17,867           |
| 2023                               | 97,733            | 5,692            |
| 2024                               | 58,856            | 8,805            |
| 2025                               | 16,037            | 10,514           |
| Thereafter                         | -                 | 10,366           |
| <b>Total</b>                       | <b>\$ 364,649</b> | <b>\$ 80,848</b> |

#### **Actuarial Assumptions**

The total pension liability for each of the defined benefit plans was measured as of June 30, 2020. The total pension liability for FRS was determined by an actuarial valuation dated June 30, 2020. The total pension liability for HIS was determined by an actuarial valuation dated June 30, 2020. The total pension liability for each of the plans was determined using the individual entry-age normal actuarial cost method and the following significant actuarial assumptions:

|                           | FRS   | HIS   |
|---------------------------|-------|-------|
| Inflation                 | 2.40% | 2.40% |
| Salary increases          | 3.25% | 3.25% |
| Investment rate of return | 6.80% | N/A   |
| Discount rate             | 6.80% | 2.21% |

Mortality assumptions for both plans were based on the PUB-2010 based table projected generationally with Scale MP-2018. The actuarial assumptions used in the FRS valuation dated June 30, 2020 were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018. No experience study has been completed for the HIS valuation, as it is on a pay-as-you-go basis, but the actuarial assumptions used for the valuation were based on certain results from the most recent experience study for FRS.

The following changes in key actuarial assumptions occurred in 2020:

- FRS: The long-term expected rate of return and the discount rate used to determine the total pension liability decreased from 6.90% to 6.80%.
- HIS: The municipal bond index rate and the discount rate used to determine the total pension liability decreased from 3.50% to 2.21% and the mortality assumption was changed from Generational RR-2000 with Projection Scale BB tables to PUB-2010 base table, projected generationally with Scale MP-2018.

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

**Bay Haven Charter Academy Middle School**  
**Notes to Financial Statements**

**Note 4: DEFINED BENEFIT PENSION PLANS (Continued)**

|                        | Target Allocation | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|------------------------|-------------------|--------------------------|------------------------------------|--------------------|
| Cash                   | 1.0%              | 2.2%                     | 2.2%                               | 1.2%               |
| Fixed income           | 19.0%             | 3.0%                     | 2.9%                               | 3.5%               |
| Global equity          | 54.2%             | 8.0%                     | 6.7%                               | 17.1%              |
| Real estate (property) | 10.3%             | 6.4%                     | 5.8%                               | 11.7%              |
| Private equity         | 11.1%             | 10.8%                    | 8.1%                               | 25.7%              |
| Strategic investments  | 4.4%              | 5.5%                     | 5.3%                               | 6.9%               |
|                        | 100%              |                          |                                    |                    |

***Discount Rate***

The discount rate used to measure the total pension liability for FRS was 6.8%. FRS' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because HIS is essentially funded on a pay-as-you-go basis, a municipal bond rate of 2.21% was used to determine the total pension liability for the program. The Bond Buyer General Obligation Bond 20-Bond Municipal Bond Index was used as the applicable municipal bond index.

***Sensitivity Analysis***

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

| FRS Net Pension Liability |               |              | HIS Net Pension Liability |               |              |
|---------------------------|---------------|--------------|---------------------------|---------------|--------------|
| Current                   |               |              | Current                   |               |              |
| 1 % Decrease              | Discount Rate | 1 % Increase | 1 % Decrease              | Discount Rate | 1 % Increase |
| 5.80%                     | 6.80%         | 7.80%        | 1.21%                     | 2.21%         | 3.21%        |
| 1,902,379                 | 1,239,116     | 597,488      | 634,831                   | 567,400       | 479,080      |

***Pension Plans' Fiduciary Net Position***

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

***Payables to the Pension Plan***

As of June 30, 2021, the School reported no payable to either pension plan.

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 5: DEFINED CONTRIBUTION PLAN

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. District employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member’s accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, based on salary and membership class, as the FRS defined benefit plan. Contributions are directed to individual member accounts and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2020-2021 fiscal year were as follows:

|              | <b>Percentage of Gross Salary</b> |                 |
|--------------|-----------------------------------|-----------------|
|              | <b>Employee</b>                   | <b>Employer</b> |
| FRS, Regular | 3.00%                             | 3.30%           |

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings, regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2021, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

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

The School’s Investment Plan pension expense totaled \$15,497 for the fiscal year ended June 30, 2021.

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### **Note 6: CAPITAL APPROPRIATIONS FUNDING**

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the State for charter school capital outlay purposes, those funds are allocated among eligible charter schools. The funds for the School's allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring district. For the year ended June 30, 2021, the School's CSCO award totaled \$232,538. CSCO funds of \$232,538 have been recognized in the accompanying statement of revenues, expenditures and changes in fund balance that relate to various capital expenditures, repairs and maintenance. If the CSCO funds are used to acquire tangible property assets, Bay County District School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the School's Charter, ownership of the assets would revert to the District.

### **Note 7: RISK MANAGEMENT**

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

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

The commercial insurance carried is a claims incurred policy for which the School is covered for claims originating against the School during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The School has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended June 30, 2021.

### **Note 8: COMMITMENTS AND CONTINGENCIES**

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

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

## Bay Haven Charter Academy Middle School Notes to Financial Statements

### Note 8: COMMITMENTS AND CONTINGENCIES (Continued)

The School has active construction projects as of June 30, 2021. At year-end, the School's commitments with contractors are as follows:

|  | Total Contract<br>Commitments | Remaining<br>Commitments as<br>of June 30, 2021 |
|--|-------------------------------|---|
| Canopy lights and site work                | \$ 55,152                     | \$ 10,510                                       |
| Field house                                | 172,823                       | 74,202  |
| Storm drains and covered walkway lights    | 43,158                        | 43,158  |
| Marine science and administration building | 35,750                        | 16,163  |
| Total                                      | \$ 306,883                    | \$ 144,033                                      |

### Note 9: UNCERTAINTIES

#### Covid-19

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

## **REQUIRED SUPPLEMENTARY INFORMATION**



**Bay Haven Charter Academy Middle School**  
**Schedule of the School's Proportionate Share of the Net Pension Liability –**  
**Florida Retirement System**  
**Last 10 Fiscal Years**

| <b>June 30,</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013 *</b> | <b>2012 *</b> | <b>2011 *</b> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| School's proportion of the net pension liability   | 0.0028590%   | 0.0027487%   | 0.0031064%   | 0.0035227%   | 0.0034737%   | 0.0035162%   | 0.0033617%   | N/A           | N/A           | N/A           |
| School's proportionate share of the net pension liability  | \$ 1,239,116 | \$ 946,629   | \$ 935,662   | \$ 1,042,141 | \$ 877,109   | \$ 454,170   | \$ 224,209   | N/A           | N/A           | N/A           |
| School's covered payroll   | \$ 1,613,991 | \$ 1,504,840 | \$ 1,640,578 | \$ 1,814,690 | \$ 1,753,168 | \$ 1,605,446 | \$ 1,671,402 | N/A           | N/A           | N/A           |
| School's proportionate share of the net pension liability as a percentage of its covered payroll | 76.77%       | 62.91%       | 57.03%       | 57.43%       | 50.03%       | 28.29%       | 13.41%       | N/A           | N/A           | N/A           |
| Plan fiduciary net position as a percentage of the total pension liability                       | 78.85%       | 82.61%       | 84.26%       | 83.89%       | 84.88%       | 92.00%       | 96.09%       | N/A           | N/A           | N/A           |

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

*See independent auditors' report.*

**Bay Haven Charter Academy Middle School**  
**Schedule of the School's Contributions – Florida Retirement System**  
**Last 10 Fiscal Years**

| <u>Year ended June 30,</u>   | <u>2021</u>  | <u>2020</u>  | <u>2019</u>  | <u>2018</u>  | <u>2017</u>  | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  | <u>2013 *</u> | <u>2012 *</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Contractually required contribution                                  | \$ 125,160   | \$ 94,990    | \$ 93,461    | \$ 101,667   | \$ 91,686    | \$ 84,711    | \$ 85,729    | \$ 73,636    | N/A           | N/A           |
| Contributions in relation to the contractually required contribution | (125,160)    | (94,990)     | (93,461)     | (101,667)    | (91,686)     | (84,711)     | (85,729)     | (73,636)     | N/A           | N/A           |
| <u>Contribution deficiency/(excess)</u>                              | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>N/A</u>    | <u>N/A</u>    |
| School's covered payroll   | \$ 1,693,222 | \$ 1,613,991 | \$ 1,504,840 | \$ 1,640,578 | \$ 1,814,690 | \$ 1,753,168 | \$ 1,605,446 | \$ 1,671,402 |               |               |
| Contributions as a percentage of covered payroll                     | 7.39%        | 5.89%        | 6.21%        | 6.20%        | 5.05%        | 4.83%        | 5.34%        | 4.41%        | N/A           | N/A           |

\* Disclosures for 2012 and 2013 are N/A because comparable information is not available at this time.

*See independent auditors' report.*

**Bay Haven Charter Academy Middle School**  
**Schedule of the School's Proportionate Share of the Net Pension Liability –**  
**Health Insurance Subsidy Program**  
**Last 10 Fiscal Years**

| <b>June 30,</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013 *</b> | <b>2012 *</b> | <b>2011 *</b> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| School's proportion of the net pension liability   | 0.0046471%   | 0.0044979%   | 0.0050061%   | 0.0056670%   | 0.0056791%   | 0.0052916%   | 0.0051464%   | N/A           | N/A           | N/A           |
| School's proportionate share of the net pension liability  | \$ 567,400   | \$ 503,267   | \$ 529,853   | \$ 605,939   | \$ 661,873   | \$ 539,660   | \$ 485,959   | N/A           | N/A           | N/A           |
| School's covered payroll   | \$ 1,613,991 | \$ 1,504,840 | \$ 1,640,578 | \$ 1,814,690 | \$ 1,753,168 | \$ 1,605,446 | \$ 1,671,402 | N/A           | N/A           | N/A           |
| School's proportionate share of the net pension liability as a percentage of its covered payroll | 35.16%       | 33.44%       | 32.30%       | 33.39%       | 37.75%       | 33.61%       | 29.07%       | N/A           | N/A           | N/A           |
| Plan fiduciary net position as a percentage of the total pension liability                       | 3.00%        | 2.63%        | 2.15%        | 1.64%        | 0.97%        | 0.50%        | 0.99%        | N/A           | N/A           | N/A           |

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

*See independent auditors' report.*

**Bay Haven Charter Academy Middle School**  
**Schedule of the School's Contributions – Health Insurance Subsidy Program**  
**Last 10 Fiscal Years**

| <b>Year ended June 30,</b>   | <b>2021</b>  | <b>2020</b>  | <b>2019</b>  | <b>2018</b>  | <b>2017</b>  | <b>2016</b>  | <b>2015</b>  | <b>2014</b>  | <b>2013 *</b> | <b>2012 *</b> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|
| Contractually required contribution                                  | \$ 28,101    | \$ 26,779    | \$ 27,388    | \$ 31,177    | \$ 29,986    | \$ 29,109    | \$ 20,228    | \$ 15,856    | N/A           | N/A           |
| Contributions in relation to the contractually required contribution | (28,101)     | (26,779)     | (27,388)     | (31,177)     | (29,986)     | (29,109)     | (20,228)     | (15,856)     | N/A           | N/A           |
| <u>Contribution deficiency/(excess)</u>                              | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>N/A</u>    | <u>N/A</u>    |
| School's covered payroll   | \$ 1,693,222 | \$ 1,613,991 | \$ 1,504,840 | \$ 1,640,578 | \$ 1,814,690 | \$ 1,753,168 | \$ 1,605,446 | \$ 1,671,402 |               |               |
| Contributions as a percentage of covered payroll                     | 1.66%        | 1.66%        | 1.82%        | 1.90%        | 1.65%        | 1.66%        | 1.26%        | 0.95%        | N/A           | N/A           |

\* Disclosures for 2012 and 2013 are N/A because comparable information is not available at this time.

*See independent auditors' report.*

## **SUPPLEMENTARY INFORMATION**

**Bay Haven Charter Academy Middle School**  
**Schedule of Revenues and Expenditures – General Fund (Management Format)**  
**Year Ended June 30, 2021**

| <b>Revenues</b>                                     | <u>Account</u> |                     |                     |                      |                   |                      |                    |                  | <u>Total</u>     |
|---|----------------|---------------------|---------------------|----------------------|-------------------|----------------------|--------------------|------------------|------------------|
| Federal sources                                     | 3100           |                     |                     |                      |                   |                      |                    |                  | \$ 18,791        |
| Federal sources through state                       | 3200           |                     |                     |                      |                   |                      |                    |                  | 301,450          |
| State sources                                       | 3300           |                     |                     |                      |                   |                      |                    |                  | 3,214,155        |
| Local sources                                       | 3400           |                     |                     |                      |                   |                      |                    |                  | 177,755          |
| Other financing sources                             | 3600           |                     |                     |                      |                   |                      |                    |                  | 1,105            |
| Long-term debt proceeds and insurance loss recovery | 3700           |                     |                     |                      |                   |                      |                    |                  | 3,415,877        |
| Total revenues                                      |                |                     |                     |                      |                   |                      |                    |                  | <u>7,129,133</u> |
|   |                | <u>100 Employee</u> | <u>200 Employee</u> | <u>300 Purchased</u> | <u>400 Energy</u> | <u>500 Materials</u> | <u>600 Capital</u> | <u>700 Other</u> |                  |
|   |                | Salaries            | Benefits            | Services             | Services          | & Supplies           | Outlay             | Expenditures     |                  |
| <b>Expenditures</b>                                 |                |                     |                     |                      |                   |                      |                    |                  |                  |
| Regular instruction                                 | 5100           | \$ 1,003,746        | \$ 258,889          | \$ 2,268             | \$ -              | \$ 154,255           | \$ 13,956          | \$ 91,479        | 1,524,593        |
| Exceptional instruction                             | 5200           | 138,401             | 26,478              | 8,921                | -                 | 337                  | -                  | 188              | 174,325          |
| Other instruction                                   | 5900           | -                   | -                   | 21,512               | -                 | 53,645               | -                  | 417              | 75,574           |
| Pupil services                                      | 6100           | 82,937              | 19,397              | 595                  | -                 | 3,326                | 1,208              | -                | 107,463          |
| Instructional media services                        | 6200           | 5,201               | 903                 | -                    | -                 | 1,836                | -                  | -                | 7,940            |
| Instructional staff training services               | 6400           | -                   | -                   | 19,362               | -                 | 1,620                | -                  | 33               | 21,015           |
| Instructional related technology                    | 6500           | -                   | -                   | 3,973                | -                 | 54,709               | 86,229             | -                | 144,911          |
| Board services                                      | 7100           | -                   | -                   | 22,600               | -                 | -                    | -                  | -                | 22,600           |
| General administrative services                     | 7200           | 112,281             | 14,191              | 15,979               | 13                | 7,946                | 386                | 14,123           | 164,919          |
| School administrative services                      | 7300           | 144,569             | 26,435              | 22,426               | -                 | 7,562                | 1,434              | 33,198           | 235,624          |
| Facilities acquisition and construction             | 7400           | -                   | -                   | 8,033                | -                 | 576                  | 314,793            | -                | 323,402          |
| Fiscal services                                     | 7500           | -                   | -                   | 176                  | -                 | 3,006                | 1,493              | -                | 4,675            |
| Food services                                       | 7600           | 43,771              | 14,383              | 1,205                | -                 | 66,376               | -                  | 1,818            | 127,553          |
| Pupil transportation services                       | 7800           | 23,435              | 5,433               | 8,205                | 2,413             | 619                  | -                  | 498              | 40,603           |
| Operation of plant                                  | 7900           | 50,424              | 16,834              | 111,311              | 53,063            | 25,045               | 42,263             | -                | 298,940          |
| Maintenance of plant                                | 8100           | 14,033              | 4,823               | 46,217               | 34                | 4,712                | 5,312              | 2,503            | 77,634           |
| Community services                                  | 9100           | 9,721               | 2,403               | 2,150                | -                 | 2,080                | -                  | -                | 16,354           |

(Continued)

*See independent auditors' report.*

**Bay Haven Charter Academy Middle School**  
**Schedule of Revenues and Expenditures – General Fund (Management Format) (Continued)**  
**Year Ended June 30, 2021**

| Account  | 100 Employee<br>Salaries | 200 Employee<br>Benefits | 300 Purchased<br>Services | 400 Energy<br>Services | 500 Materials<br>& Supplies | 600 Capital<br>Outlay | 700 Other<br>Expenditures | Total                     |
|--|--------------------------|--------------------------|---------------------------|------------------------|-----------------------------|-----------------------|---------------------------|---------------------------|
| Debt service   | 9200                     |                          |                           |                        |                             |                       |                           |                           |
| Redemption of principal and<br>payments to refunding escrow<br>agent | \$ -                     | \$ -                     | \$ -                      | \$ -                   | \$ -                        | \$ -                  | \$ 3,532,909              | \$ 3,532,909              |
| Interest   | -                        | -                        | -                         | -                      | -                           | -                     | 154,626                   | 154,626                   |
| Service fees   | -                        | -                        | -                         | -                      | -                           | -                     | 118,623                   | 118,623                   |
| Total expenditures   | <u>\$ 1,628,519</u>      | <u>\$ 390,169</u>        | <u>\$ 294,933</u>         | <u>\$ 55,523</u>       | <u>\$ 387,650</u>           | <u>\$ 467,074</u>     | <u>\$ 3,950,415</u>       | <u>7,174,283</u>          |
| <b>Net change in fund balance</b>                                    |                          |                          |                           |                        |                             |                       |                           | <u><u>\$ (45,150)</u></u> |

*See independent auditors' report*

## **COMPLIANCE SECTION**



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of Bay Haven Charter Academy Middle School (School), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated November 29, 2021.

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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

### Compliance and Other Matters

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

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

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

Certified Public Accountants  
Panama City Beach, Florida  
November 29, 2021

## **INDEPENDENT AUDITORS' MANAGEMENT LETTER**

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

### Report on the Financial Statements

We have audited the financial statements of Bay Haven Charter Academy Middle School (School), a component unit of Bay County District School Board, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated November 29, 2021.

### Auditors' 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 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*. Disclosures in that report, which is dated November 29, 2021, should be considered in conjunction with this management letter.

### Prior Audit Findings

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

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires 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 Bay Haven Charter Academy Middle School (0711).

### Financial Condition and Management

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 the School 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 the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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 the School. 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 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 communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School 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 Joint Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, applicable management, and the Bay County District School Board and is not intended to be and should not be used by anyone other than these specified parties.

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

Certified Public Accountants  
Panama City Beach, Florida  
November 29, 2021