

**PALM BAY PREPARATORY ACADEMY  
(A CHARTER SCHOOL UNDER  
PALM BAY EDUCATION GROUP, INC.)**

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

INDEPENDENT AUDITOR'S REPORT

*for the fiscal year ended JUNE 30, 2021*

**King & Walker, CPAs, PL**

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*Certified Public Accountants*

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**PALM BAY PREPARATORY ACADEMY**  
**(A CHARTER SCHOOL UNDER PALM BAY EDUCATION GROUP, INC.)**  
A Charter School and Component Unit of the District School Board of Bay County, Florida

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Members:  
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## Independent Auditor's Report

To the Board of Directors Palm Bay Preparatory Academy  
(A Charter School under Palm Bay Education Group, Inc.)  
a Charter School and Component Unit of the  
District School Board of Bay County, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Bay Preparatory Academy ("School"), a charter school under Palm Bay Education Group, Inc. and component unit of the District School Board of Bay County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 opinion.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2021, and the respective changes in financial position thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

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

As described in Note 1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2021, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation Palm Bay Education Group, Inc. These financial statements do not purport to and do not present fairly the financial position of Palm Bay Education Group, Inc. as of June 30, 2021, and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### ***Other Matters***


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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Note to Required Supplementary Information, as listed in the table of contents, 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 historic 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 methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Respectfully submitted,

 King & Walker, CPAs

September 21, 2021  
Tampa, Florida

**PALM BAY PREPARATORY ACADEMY**  
**(A CHARTER UNDER PALM BAY EDUCATION GROUP, INC.)**  
*A Charter School and Component Unit of the District School Board of Bay County, Florida*  
**MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)**

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The Management’s Discussion and Analysis (MD&A) section of the annual financial report of the Palm Bay Preparatory Academy (“School”), a charter school under Palm Bay Education Group, Inc. provides an overview of the School’s activities for the fiscal year ended June 30, 2021.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School’s financial statements and notes to financial statements as listed in the table of contents.

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2021, the School’s expenses exceeded revenues as shown on the School’s statement of activities by \$300,991.
- As shown on the statement of net position, the School reported a total net position balance of \$11,995,162.
- A net pension liability of \$1,535,298 is reported on the statement of net position for pensions, as the School participates in the Florida Retirement System.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- Government-wide financial statements
- Fund financial statements
- Notes to financial statements

**Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School’s overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental and business-type activities of the School presented on the accrual basis of accounting. The statement of net position provides information about the government’s financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the School. The statement of activities presents information about the change in the School’s net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the School’s financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

**PALM BAY PREPARATORY ACADEMY**  
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**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates the following funds; a General Fund to account for its general operations and internal account activities, a Capital Projects Fund to account for financial resources that are restricted, committed or assigned to expenditures for capital outlays, and a Special Revenue Fund to account for Federal grant programs and the School's food service operations. For reporting purposes, all funds are considered major funds.

The School adopts annual budgets for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budgets.

**Notes to Financial Statements**

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**PALM BAY PREPARATORY ACADEMY**  
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**MANAGEMENT’S DISCUSSION AND ANALYSIS - (Unaudited)**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following is a summary of the School’s current year and prior year net position:

**Net Position, End of Year**

	Governmental Activities		
	6-30-20	6-30-21	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 1,990,354	\$ 1,579,497	\$ (410,857)
Capital Assets, Net	16,287,203	15,977,393	(309,810)
Total Assets	<u>18,277,557</u>	<u>17,556,890</u>	<u>(720,667)</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pensions	954,228	889,610	(64,618)
Total Deferred Outflow Related to Pensions	<u>954,228</u>	<u>889,610</u>	<u>(64,618)</u>
<b>LIABILITIES</b>			
Current Liabilities	1,839,071	1,018,717	(820,354)
Noncurrent Liabilities	5,011,461	5,385,227	373,766
Total Liabilities	<u>6,850,532</u>	<u>6,403,944</u>	<u>(446,588)</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pensions	85,100	47,394	(37,706)
Total Deferred Inflow Related to Pensions	<u>85,100</u>	<u>47,394</u>	<u>(37,706)</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	12,584,721	12,127,464	(457,257)
Restricted	-	1,357,816	1,357,816
Unrestricted	<u>(288,568)</u>	<u>(1,490,118)</u>	<u>(1,201,550)</u>
Total Net Position	<u>\$ 12,296,153</u>	<u>\$ 11,995,162</u>	<u>\$ (300,991)</u>

The largest portions of the School’s assets are capital assets, net of depreciation (91%) as the School is rebuilding its educational facility. Current liabilities consist of accounts and salaries and benefits payables, and retainage payable. Noncurrent liabilities consist of a long-term note for building construction, a long-term note to assist with continuing operations, and the net pension liability for the Florida Retirement System. Total net position amounted to \$11,995,162, which included a deficit unrestricted net position balance of \$1,490,118.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

The following is a summary of the school's change in net position for the current year and prior year:

	<b>Operating Results for the Year</b>		
	<u>Governmental Activities</u>		
	<u>6-30-20</u>	<u>6-30-21</u>	<u>Increase (Decrease)</u>
<b>Revenues:</b>			
Federal Through State and Local	\$ 3,185,477	\$ 979,957	\$(2,205,520)
State	2,074,141	1,933,659	(140,482)
Local and Other	338,015	114,422	(223,593)
Special Items	2,136,530	800,811	(1,335,719)
Total Revenues	<u>7,734,163</u>	<u>3,828,849</u>	<u>(3,905,314)</u>
<b>Expenses:</b>			
Instruction	1,107,982	1,127,803	19,821
Student Support Services	80,557	35,185	(45,372)
Instructional Media	2,176	1,836	(340)
Instruction & Curriculum Development	-	52	52
Instructional Staff Training	167	16,609	16,442
Instructional Related Technology	72,891	42,813	(30,078)
Board	467,678	470,152	2,474
School Administration	585,003	665,413	80,410
Facilities Acquisition & Construction	459	2,094	1,635
Fiscal Services	60,062	58,734	(1,328)
Food Services	265,992	281,375	15,383
Student Transportation	5,570	-	(5,570)
Operation of Plant	551,693	398,791	(152,902)
Maintenance of Plant	3,453	20,152	16,699
Community Service	19,594	10,203	(9,391)
Debt Service - Interest	289,809	193,032	(96,777)
Unallocated Depreciation	746,395	805,596	59,201
Total Expenses	<u>4,259,481</u>	<u>4,129,840</u>	<u>(129,641)</u>
<b>Increase/(Decrease) in Net Position</b>	<u>\$ 3,474,682</u>	<u>\$ (300,991)</u>	<u>\$ (3,775,673)</u>

The largest revenue sources for the School is the State of Florida (64%). The Special Items include the forgiveness of the PPP Loan, an insurance recovery, and intercompany transfer out. Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School.

The largest concentrations of expenses were for Instructional related expenses (30%), unallocated depreciation (20%) and school administration (16%).

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**MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)**

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**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

**Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$560,780.

**BUDGETARY HIGHLIGHTS**

The General Fund and Special Revenue Fund budgets for the fiscal year ended June 30, 2021, were developed based on the School's anticipated revenues and expenditures, the expected student population, and Federal grant programs for the school year. Actual expenditures were equal to the final budgeted expenditures. Refer to the Budgetary Comparison Schedule for additional information.

**CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$15,977,393 (net of accumulated depreciation). This investment in capital assets includes land, buildings and fixed equipment, construction in progress, improvements other than buildings, and furniture, fixtures, and equipment. Additional information regarding the School's capital assets is located in the notes to the financial statements.

**DEBT ADMINISTRATION**

In June 2017, the School borrowed a total of \$5,000,000 for the purpose of purchasing an educational facility. The remaining first mortgage balance of \$4,000,000 bears an interest rate of 5.27% per year with a balloon payment due on September 29, 2021. In addition, during the 2020-21 fiscal year the School received a Federal Emergency Management Agency (FEMA) Community Disaster Loan amounting to \$1,606,031, the first draw of \$280,465 was received in May 2021 and is being used to carry on essential functions. Additional information regarding the School's long-term liabilities can be found in the notes to the financial statements.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Palm Bay Education Group, Inc., 1104 Balboa Avenue, Panama City, FL 32401.

**PALM BAY PREPARATORY ACADEMY**  
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**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

*June 30, 2021*

	<u>Government Activities</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 1,462,791
Due From Other Agencies	93,994
Prepaid Items & Deposits	22,712
Capital Assets:	
Land	1,505,200
Buildings & Fixed Equipment, Net	13,340,609
Improvements Other Than Buildings, Net	37,113
Furniture, Fixtures, and Equipment, Net	263,085
Construction in Progress	831,386
Total Capital Assets	<u>15,977,393</u>
<b>TOTAL ASSETS</b>	<u><b>17,556,890</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflow Related to Pensions	889,610
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u><b>889,610</b></u>
<b>LIABILITIES</b>	
Salaries and Benefits Payable	77,307
Accounts Payable	474,136
Retainage Payable	467,274
Noncurrent Liabilities:	
Due Within One Year:	
Notes Payable	3,569,464
Due After One Year:	
Notes Payable	280,465
Net Pension Liability	1,535,298
<b>TOTAL LIABILITIES</b>	<u><b>6,403,944</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflow Related to Pensions	47,394
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u><b>47,394</b></u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	12,127,464
Restricted	1,357,816
Unrestricted	(1,490,118)
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 11,995,162</b></u></u>

The accompanying notes to the financial statements are an integral part of this statement.

**PALM BAY PREPARATORY ACADEMY**  
**(A CHARTER SCHOOL UNDER PALM BAY EDUCATION GROUP, INC.)**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2021*

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Instruction	\$ 1,127,803	\$ -	\$ 240,594	\$ -	\$ (887,209)
Student Support Services	35,185	-	1,610	-	(33,575)
Instructional Media	1,836	-	-	-	(1,836)
Instruction & Curriculum Development	52	-	-	-	(52)
Instructional Staff Training	16,609	-	16,530	-	(79)
Instructional Related Technology	42,813	-	42,813	-	-
Board	470,152	-	-	-	(470,152)
School Administration	665,413	-	13,000	-	(652,413)
Facilities Acquisition & Construction	2,094	-	-	-	(2,094)
Fiscal Services	58,734	-	-	-	(58,734)
Food Services	281,375	32,876	281,375	-	32,876
Operation of Plant	398,791	-	166,864	-	(231,927)
Maintenance of Plant	20,152	-	-	-	(20,152)
Community Service	10,203	-	-	-	(10,203)
Debt Service - Interest	193,032	-	-	96,516	(96,516)
Unallocated Depreciation	805,596	-	-	-	(805,596)
<b>Total Governmental Activities</b>	<b>\$ 4,129,840</b>	<b>\$ 32,876</b>	<b>\$ 762,786</b>	<b>\$ 96,516</b>	<b>(3,237,662)</b>
General Revenue					
State Sources					1,837,143
Grants and Contributions not restricted to specific program					217,171
Local and Other					81,546
Special Item - Intercompany Transfer Out					(506,261)
Special Item - Debt Forgiveness					827,295
Special Item - Insurance Recovery					479,777
Total General Revenues					2,936,671
Change in Net Position					(300,991)
Net Position - July 1, 2020					12,296,153
Net Position - June 30, 2021					\$ 11,995,162

The accompanying notes to the financial statements are an integral part of this statement.

**PALM BAY PREPARATORY ACADEMY**  
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**DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
*June 30, 2021*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash & Cash Equivalents	\$ 1,462,741	\$ 50	\$ -	\$ 1,462,791
Due From Other Agencies	-	81,219	12,775	93,994
Prepaid Items & Deposits	22,712	-	-	22,712
Due from Other Funds	93,994	3,528	-	97,522
Total Assets	\$ 1,579,447	\$ 84,797	\$ 12,775	\$ 1,677,019
<b>LIABILITIES</b>				
Salaries and Benefits Payable	\$ 74,616	\$ 2,691	\$ -	\$ 77,307
Accounts Payable	473,249	887	-	474,136
Retainage Payable	467,274	-	-	467,274
Due to Other Funds	3,528	81,219	12,775	97,522
Total Liabilities	1,018,667	84,797	12,775	1,116,239
<b>FUND BALANCES</b>				
Nonspendable	22,712	-	-	22,712
Restricted	1,357,816	-	-	1,357,816
Unassigned	(819,748)	-	-	(819,748)
Total Fund Balances	560,780	-	-	560,780
Total Liabilities and Fund Balances	\$ 1,579,447	\$ 84,797	\$ 12,775	\$ 1,677,019

The accompanying notes to the financial statements are an integral part of this statement.

**PALM BAY PREPARATORY ACADEMY**  
**(A CHARTER SCHOOL UNDER PALM BAY EDUCATION GROUP, INC.)**  
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**DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
*June 30, 2021*

<b>Total Fund Balances - Governmental Funds</b>		\$ 560,780
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		15,977,393
Deferred Outflows and Inflows of resources are not available in the current period and not reported in the governmental funds.		
Deferred Outflows	889,610	
Deferred Inflows	<u>(47,394)</u>	842,216
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.		
Notes Payable	(3,849,929)	
Net Pension Liability	<u>(1,535,298)</u>	<u>(5,385,227)</u>
<b>Total Net Position - Governmental Activities</b>		<b><u>\$ 11,995,162</u></b>

The accompanying notes to financial statements are an integral part of this statement.

**PALM BAY PREPARATORY ACADEMY**  
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**DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
*For the Fiscal Year Ended June 30, 2021*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
Intergovernmental:				
Federal Through State and Local State	\$ -	\$ 979,957	\$ -	\$ 979,957
State	1,765,004	-	168,655	1,933,659
Local and Other	81,546	32,876	-	114,422
Total Revenues	1,846,550	1,012,833	168,655	3,028,038
<b>Expenditures</b>				
Current - Education:				
Instruction	887,209	240,594	-	1,127,803
Student Support Services	33,575	1,610	-	35,185
Instructional Media	1,836	-	-	1,836
Instruction & Curriculum Development	52	-	-	52
Instructional Staff Training	79	16,530	-	16,609
Instructional Related Technology	-	42,813	-	42,813
Board	470,152	-	-	470,152
School Administration	340,279	71,903	-	412,182
Facilities Acquisition & Construction	2,094	-	-	2,094
Fiscal Services	58,734	-	-	58,734
Food Services	-	281,375	-	281,375
Operation of Plant	-	388,426	10,365	398,791
Maintenance of Plant	20,152	-	-	20,152
Community Service	10,203	-	-	10,203
Fixed Capital Outlay:				
Facilities Acquisition & Construction	273,558	66,840	-	340,398
Other Capital Outlay	5,057	150,331	-	155,388
Debt Service:				
Principal	71,244	-	61,774	133,018
Interest	96,516	-	96,516	193,032
Total Expenditures	2,270,740	1,260,422	168,655	3,699,817
Excess/(Deficiency) of Revenues				
Over Expenditures	(424,190)	(247,589)	-	(671,779)
Other Financing Sources (Uses):				
Proceeds from Debt	-	280,465	-	280,465
Special Item - Intercompany Transfer (Out)	(506,261)	-	-	(506,261)
Special Item - Debt Forgiveness	827,295	-	-	827,295
Special Item - Insurance Recovery	479,777	-	-	479,777
Transfers In/(Out)	32,876	(32,876)	-	-
Total Other Financing Sources (Uses)	833,687	247,589	-	1,081,276
Net Change in Fund Balances	409,497	-	-	409,497
Fund Balances, July 1, 2020	151,283	-	-	151,283
Fund Balances, June 30, 2021	\$ 560,780	\$ -	\$ -	\$ 560,780

The accompanying notes to financial statements are an integral part of this statement.

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
*For the Fiscal Year Ended June 30, 2021*

<b>Net Change in Fund Balances - Governmental Funds</b>	\$	409,497
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.</p>		
Capital Outlays	495,786	
Depreciation Expense	<u>(805,596)</u>	(309,810)
<p>The repayment of principal of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term debt in the statement of net position.</p>		
		133,018
<p>Long-term debt proceeds are reported as other financing sources in the Governmental Funds and as long-term liabilities in the Statement of Net Position.</p>		
		(280,465)
<p>Net effect of various transactions in the statement of activities that do not require the use of current financial resources are not reported in the governmental funds:</p>		
Pension Expense (calculated for net pension liability)		(377,706)
Pension contributions made subsequent to the pension liability measurement date of 6/30/20		<u>124,475</u>
<b>Change in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u><u>(300,991)</u></u></b>

The accompanying notes to the financial statements are an integral part of this statement.



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**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2021**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

Palm Bay Preparatory Academy (“School”), a charter school under Palm Bay Education Group, Inc. is a component unit of the District School Board of Bay County, Florida. The School is sponsored by its charter-holder, Palm Bay Education Group, Inc., a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors, which is comprised of five members.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of Palm Bay Education Group, Inc. as of June 30, 2021, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Bay County, Florida, (“District”). The current charter is effective through June 30, 2023, and is subject to annual review and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. In the event of termination of the charter, the District shall assume operation of the School. The School is considered a component unit of the District; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

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➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of Net Position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for federal grant programs and the School's food service operations.
- Capital Projects Fund – to account for all resources for the acquisition of capital assets and related items purchased by the School with capital outlay funds.

➤ **Basis of Accounting**

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized

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when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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. The School considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents are defined as demand deposits, money market accounts, and short term investments with original maturities of eight months or less from date of acquisition. The School considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

The School's deposits are placed with banks and savings and loans which are qualified as public depositories, prior to receipt of public monies, under Chapter 280, Florida statutes and the School's policy. The School maintains its cash accounts with one qualified public depository. The accounts routinely exceed the federally insured limit of \$250,000. Monies deposited in amounts greater than the insurance coverage are secured by the bank's pledging securities with the state treasurer in the collateral pool. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit or custodial risk.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

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Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years
Buildings & Fixed Equipment	20 years
Improvements Other Than Buildings	10 years

➤ **Noncurrent Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Capital improvement debt is reported net of unamortized discount. The School amortizes debt discounts over the life of the debt using the straight-line method. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Pensions**

In the government-wide statement of net position, liabilities are recognized for the School's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions to/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The School's retirement plans and related amounts are described in subsequent notes to financial statements.

➤ **Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then.

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➤ **Net Position and Fund Balance Classification**

*Government-wide Financial Statements*

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

*Fund Financial Statements*

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

➤ **Order of Fund Balance Spending Policy**

The School’s policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are

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determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **Revenue Sources**

Revenues for current operations are received primarily from 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. For the fiscal year ended June 30, 2021, the School reported 271.97 unweighted FTE and 273.88 weighted FTE.

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).

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- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state 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.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related note to financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. The School is actively pursuing the refinancing of long-term debt. The loan is expected to close in the 2021-22 fiscal year.

**2. CASH DEPOSITS**

*Custodial Credit Risk – Deposits.* In the case of deposits, this is the risk that in the event of a bank failure, the School's deposits may not be returned to the School. The School does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

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**3. DUE FROM OTHER AGENCIES**

The amount due from other agencies on the School's statement of net position and balance sheet – governmental funds consist of an amount for expenditures made for grants awaiting reimbursement from the District. This receivable amount is considered to be fully collectible and therefore, no allowance for uncollectible accounts has been established.

**4. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Land	\$ 1,505,200	\$ -	\$ -	\$ 1,505,200
Construction in Progress	599,410	231,976	-	831,386
Buildings & Fixed Equipment	14,720,375	67,564	-	14,787,939
Improvements Other than Building	-	40,858	-	40,858
Furniture, Fixtures and Equipment	213,120	155,388	-	368,508
Total Capital Assets	<u>17,038,105</u>	<u>495,786</u>	<u>-</u>	<u>17,533,891</u>
Less Accumulated Depreciation for:				
Buildings & Fixed Equipment	(708,215)	(739,115)	-	(1,447,330)
Improvements Other than Building	-	(3,745)	-	(3,745)
Furniture, Fixtures and Equipment	(42,687)	(62,736)	-	(105,423)
Total Accumulated Depreciation	<u>(750,902)</u>	<u>(805,596)</u>	<u>-</u>	<u>(1,556,498)</u>
Governmental Activities Capital Assets, net	<u>\$ 16,287,203</u>	<u>\$ (309,810)</u>	<u>\$ -</u>	<u>\$ 15,977,393</u>

All depreciation expense was shown as unallocated on the statement of activities.

**5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At June 30, 2021, the Special Revenue Fund owed the General Fund \$81,219 for grant expenditures awaiting reimbursement. The Capital Projects Fund owed the General Fund \$12,775 for grant expenditures awaiting reimbursement. In addition, the General Fund owed the Special Revenue Fund \$3,528 for salaries and food expenditures paid from the Special Revenue Fund. The amounts of interfund receivables and payables are netted together and not reported in the statement of net position.

The Special Revenue Fund transferred \$32,876 to the General Fund to provide financial support for costs of operation and maintenance, including utility costs, among other costs incurred by the General Fund for the Food Service operations. The amounts of interfund transfers are netted together and not reported in the statement of activities.



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**6. NOTES PAYABLE**

Notes payable outstanding for the School consisted of the following:

<b>Notes Payable:</b>	Balance at 6-30-21
<u>Centennial Bank</u>	
\$4,000,000 Balloon Note bearing an interest rate of 5.27% per annum maturing at the time of bond financing. The borrower shall pay \$27,171 monthly in July and August, 2021. The outstanding principal balance of \$3,569,464, plus accrued unpaid interest and unpaid fees and expenses, if any are due and payable on September 29, 2021.	\$ 3,569,464
<u>Department of Homeland Security Federal Emergency Management Agency Community Disaster Loan FEMA</u>	
\$1,606,031 Note was signed in November, 2019. The first draw was May 2021. The school is not required to repay the loan until 5 years after the date of the promissory note. The principal and interest may be forgiven under the Stafford Disaster Relief and Emergency Assistance Act at the sole discretion of the government.	280,465
Total Notes Payable	\$ 3,849,929

Amounts due for loans payable are as follows:

Fiscal Year	Total	Principal	Interest
Ending June 30			
2022	\$ 3,600,878	\$ 3,569,464	\$ 31,414
2023	-	-	-
2024	-	-	-
2025	-	-	-
2026	280,465	280,465	-
Total	\$ 3,881,343	\$ 3,849,929	\$ 31,414

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**7. CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
<b>GOVERNMENTAL ACTIVITIES:</b>					
Notes Payable	\$ 3,702,482	\$ 280,465	\$ (133,018)	\$ 3,849,929	\$ 3,569,464
Net Pension Liability	1,308,979	226,319	-	1,535,298	-
Total Governmental Activities	<u>\$ 5,011,461</u>	<u>\$ 506,784</u>	<u>\$ (133,018)</u>	<u>\$ 5,385,227</u>	<u>\$ 3,569,464</u>

**8. ACCOUNTS PAYABLE – RELATED PARTY**

Included in the accounts payable balance reported in the statement of net position and the balance sheet – governmental funds, the School reported a payable of \$423,970 as a result of shared expenditures paid by Central High School (\$413,085) and Palm Bay Preparatory Elementary Academy (\$10,885) charter schools under the same charter-holder. Amounts are expected to be paid within one year.

**9. CONSTRUCTION CONTRACT COMMITMENTS AND RETAINAGE PAYABLE**

The following is a schedule of major construction contract commitments at June 30, 2021:

Project	Contract Amount	Completed to Date	Balance Committed
Palm Bay Prep Hurricane Repairs to School Facility:			
GAC Contractors, Inc. (1)	\$ 467,274	\$ 467,274	\$ -
Palm Bay Charter K-8 School - DAG Architects	527,170	364,112	163,058
Total	<u>\$ 994,444</u>	<u>\$ 831,386</u>	<u>\$ 163,058</u>

(1) This amount is included in the financial statements as a retainage payable.

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**10. SCHEDULE OF STATE REVENUE SOURCES**

The following is a schedule of the School’s State revenue:

Source	Amount
Florida Education Finance Program	\$ 1,498,448
Categorical Programs:	
Class Size Reduction	236,304
Charter School Capital Outlay	168,655
Miscellaneous	30,252
Total State Revenue	\$ 1,933,659

As provided in the charter school contract, the District has charged the School an administrative fee amounting to \$79,678.

**11. FUNDING AND CREDIT CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget-based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**12. SPECIAL ITEM - DEBT FORGIVENESS**

Palm Bay Education Group, Inc., the School’s charter holder, was granted a loan from Centennial Bank in April 2020 in the amount of \$827,295 pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act. The School met the qualifications for loan forgiveness under the PPP and was provided repayment forgiveness in January 2021. Revenue \$827,295 was recorded as a Special Item – Debt Forgiveness in the statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

**13. SPECIAL ITEM – INTERCOMPANY TRANSFERS OUT**

Palm Bay Education Group, Inc., the School’s charter holder, was granted a loan from Centennial Bank in April 2020 in the amount of \$827,295 pursuant to the Paycheck Protection Program (the “PPP”) under Division A, Title I of the CARES Act. The School met the qualifications for loan forgiveness under the PPP and was provided repayment forgiveness in January 2021. The loan forgiveness was allocated and \$506,261 was transferred to Central High (\$130,810) and Palm Bay Preparatory Elementary Academy (\$375,451), related charter schools under Palm Bay Education Group, Inc.

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**14. SPECIAL ITEM - INSURANCE RECOVERY**

The School reported the receipt of insurance reimbursements of \$479,777 in relation to hurricane damage occurred in the 2018-19 fiscal year. These transactions are shown as a Special Item – Insurance Recovery on the Statement of Activities and the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.

**15. FLORIDA RETIREMENT SYSTEM (FRS) – Defined Benefit Pension Plans**

**General Information about the FRS**

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the School are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 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. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The School's FRS and HIS pension expense totaled \$377,706 for the fiscal year ended June 30, 2021.

**FRS 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 Class* – Members of the FRS who do not qualify for membership in the other classes.

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. All members enrolled

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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. 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.

DROP, 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. 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 retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
<b>Regular Class 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 Class 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 is initially enrolled in the 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 is 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

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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.

*Contributions.* The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.00
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 1.66 percent for the postemployment health insurance subsidy. Also, employer rates, other than for DROP participants, include 0.06 percent for administrative costs of the Investment Plan.

(2) Contribution rates are dependent upon retirement class in which reemployed.

The School's contributions to the Plan totaled \$102,682 for the fiscal year ended June 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2021, the School reported a liability of \$1,057,351 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the School's proportionate share was .002439575 percent, which was a decrease of .000085478 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the School recognized pension expense of \$284,106. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 40,467	\$ -
Change of assumptions	191,414	-
Net difference between projected and actual earnings on FRS Plan investments	62,956	-
Changes in proportion and differences between School FRS contributions and proportionate share of contributions	196,360	18,086
School FRS contributions subsequent to the measurement date	<u>102,682</u>	<u>-</u>
<b>Total</b>	<u>\$ 593,879</u>	<u>\$ 18,086</u>

The deferred outflows of resources related to pensions totaling \$102,682, resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 60,759
2023	94,628
2024	80,433
2025	48,083
2026	10,933
Thereafter	-

Actuarial Assumptions. The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.80 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

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The actuarial assumptions used in the July 1, 2020, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
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%
<b>Total</b>	<u>100%</u>			
Assumed inflation - Mean			2.4%	1.7%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 6.8 percent. The Plan's 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. The discount rate used in the 2020 valuation was updated from 6.9 percent to 6.8 percent.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 6.8 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.8 percent) or 1 percentage point higher (7.8 percent) than the current rate:



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	<b>1% Decrease (5.8%)</b>	<b>Current Discount Rate (6.8%)</b>	<b>1% Increase (7.8%)</b>
School's proportionate share of the net pension liability	\$ 1,688,407	\$ 1,057,351	\$ 530,285

*Pension Plan Fiduciary Net Position.* Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

**HIS Pension Plan**

*Plan Description.* The HIS Pension Plan (HIS Plan) 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, 2021, 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 benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

*Contributions.* The HIS Plan 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. The School contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan 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 to the HIS Plan totaled \$21,793 for the fiscal year ended June 30, 2021.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.* At June 30, 2021, the School reported a net pension liability of \$477,947 for its proportionate share of the net pension liability. The current portion of the net pension liability is the School's proportionate share of benefit payments expected to be paid within one year, net of the School's proportionate share of the HIS Plan's fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net

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pension liability was determined by an actuarial valuation as of July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2019-20 fiscal year contributions relative to the total 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the School's proportionate share was .003914451 percent, which was a decrease of .000012492 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended June 30, 2021, the School recognized pension expense of \$93,600. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 19,551	\$ 369
Change of assumptions	51,393	27,790
Net difference between projected and actual earnings on FRS Plan investments	382	-
Changes in proportion and differences between School FRS contributions and proportionate share of contributions	202,612	1,149
School FRS contributions subsequent to the measurement date	<u>21,793</u>	<u>-</u>
<b>Total</b>	<u>\$ 295,731</u>	<u>\$ 29,308</u>

The deferred outflows of resources totaling \$21,793, resulting from School contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2022	\$ 11,946
2023	8,862
2024	2,421
2025	5,623
2026	7,657
Thereafter	6,657

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Actuarial Assumptions. The total pension liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	2.21 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018. This is a change from the prior year mortality assumption which was based on the Generational RP-2000 with Projection Scale BB tables.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 2.21 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.5 percent to 2.21 percent.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 2.21 percent, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.21 percent) or 1 percentage point higher (3.21 percent) than the current rate:

	<b>1% Decrease (1.21%)</b>	<b>Current Discount Rate (2.21%)</b>	<b>1% Increase (3.21%)</b>
School's proportionate share of the net pension liability	\$ 552,487	\$ 477,947	\$ 416,938

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

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**16. FRS – Defined Contribution Pension Plans**

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA’s annual financial statements and in the State of Florida 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. School employees already participating in the State School System Optional Retirement Program or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member’s account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), 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 2020-21 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30

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

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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.

**17. COMMITMENTS AND CONTINGENT LIABILITIES**

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2021, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**18. RISK MANAGEMENT PROGRAMS**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**19. LEGAL MATTERS**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND & SPECIAL REVENUE FUND (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2021*

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
<b>Revenues:</b>								
Intergovernmental:								
Federal Through State and Local State	\$ -	\$ -	\$ -	\$ -	\$ 380,564	\$ 979,957	\$ 979,957	\$ -
Local and Other	1,879,056	1,765,004	1,765,004	-	-	-	-	-
	80,766	81,546	81,546	-	-	32,876	32,876	-
<b>Total Revenues</b>	<b>1,959,822</b>	<b>1,846,550</b>	<b>1,846,550</b>	<b>-</b>	<b>380,564</b>	<b>1,012,833</b>	<b>1,012,833</b>	<b>-</b>
<b>Expenditures:</b>								
Current - Education:								
Instruction	948,242	887,209	887,209	-	182,829	240,594	240,594	-
Student Support Services	46,831	33,575	33,575	-	2,379	1,610	1,610	-
Instructional Media	2,442	1,836	1,836	-	-	-	-	-
Instruction & Curriculum Development	-	52	52	-	-	-	-	-
Instructional Staff Training	58	79	79	-	-	16,530	16,530	-
Instructional Related Technology	41,467	-	-	-	-	42,813	42,813	-
Board	99,561	470,152	470,152	-	-	-	-	-
School Administration	408,023	340,279	340,279	-	10,323	71,903	71,903	-
Facilities Acquisition & Construction	-	2,094	2,094	-	-	-	-	-
Fiscal Services	61,160	58,734	58,734	-	-	-	-	-
Food Services	-	-	-	-	-	281,375	281,375	-
Student Transportation	5,410	-	-	-	-	-	-	-
Operation of Plant	177,187	-	-	-	286,134	388,426	388,426	-
Maintenance of Plant	5,387	20,152	20,152	-	-	-	-	-
Community Service	10,469	10,203	10,203	-	976	-	-	-
Fixed Capital Outlay:								
Facilities Acquisition & Construction	-	273,558	273,558	-	-	66,840	66,840	-
Other Capital Outlay	-	5,057	5,057	-	-	150,331	150,331	-
Debt Service:								
Principal	49,144	71,244	71,244	-	-	-	-	-
Interest	15,292	96,516	96,516	-	-	-	-	-
<b>Total Expenditures</b>	<b>1,870,673</b>	<b>2,270,740</b>	<b>2,270,740</b>	<b>-</b>	<b>482,641</b>	<b>1,260,422</b>	<b>1,260,422</b>	<b>-</b>
Excess (Deficiency) of Revenues								
Over Expenditures	89,149	(424,190)	(424,190)	-	(102,077)	(247,589)	(247,589)	-
Other Financing Sources (Uses):								
Proceeds from Debt	-	-	-	-	-	280,465	280,465	-
Special Item - Intercompany Transfer (Out)	-	(506,261)	(506,261)	-	-	280,465	280,465	-
Special Item - Debt Forgiveness	-	827,295	827,295	-	-	-	-	-
Special Item - Insurance Recovery	-	479,777	479,777	-	-	-	-	-
Transfers In/(Out)	(102,077)	32,876	32,876	-	102,077	(32,876)	(32,876)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(102,077)</b>	<b>833,687</b>	<b>833,687</b>	<b>-</b>	<b>102,077</b>	<b>528,054</b>	<b>528,054</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(12,928)</b>	<b>409,497</b>	<b>409,497</b>	<b>-</b>	<b>-</b>	<b>280,465</b>	<b>280,465</b>	<b>-</b>
Fund Balances, July 1, 2020	151,283	151,283	151,283	-	-	-	-	-
<b>Fund Balances, June 30, 2021</b>	<b>\$ 138,355</b>	<b>\$ 560,780</b>	<b>\$ 560,780</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 280,465</b>	<b>\$ 280,465</b>	<b>\$ -</b>

See Independent Auditor's Report

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*Schedule of Proportionate Share of Net Pension Liability*  
*Florida Retirement System*

	as of 6/30/20	as of 6/30/19	as of 6/30/18	as of 6/30/17
Proportion of the net pension liability/(asset)	0.002439575%	0.002525053%	0.002096418%	0.001682441%
Proportionate share of the net pension liability/(asset)	\$ 1,057,351	\$ 869,593	\$ 631,452	\$ 497,655
Covered-employee payroll	\$ 1,362,133	\$ 1,313,525	\$ 1,068,969	\$ 827,577
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	78%	66%	59%	60%
Plan fiduciary net position as a percentage of the total pension liability (Note 2)	78.85%	82.61%	84.26%	83.59%

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*Schedule of Contributions*  
*Florida Retirement System*

	as of 6/30/21	as of 6/30/20	as of 6/30/19	as of 6/30/18	as of 6/30/17
Contractually required contribution	\$ 102,682	\$ 81,056	\$ 78,295	\$ 59,746	\$ 43,798
Contributions in relation to the contractually required contribution	<u>\$ (102,682)</u>	<u>\$ (81,056)</u>	<u>\$ (78,295)</u>	<u>\$ (59,746)</u>	<u>\$ (43,798)</u>
Contribution deficiency/(excess)	0	0	0	0	0
Covered-employee payroll	1,312,530	1,362,133	\$ 1,313,525	\$ 1,068,969	\$ 827,577
Contributions as a percentage of covered-employee payroll	7.82%	5.95%	5.96%	5.59%	5.29%

See Independent Auditor's Report.



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*Schedule of Proportionate Share of Net Pension Liability  
Health Insurance Subsidy Program*

	as of 6/30/20	as of 6/30/19	as of 6/30/18	as of 6/30/17
Proportion of the net pension liability/(asset)	0.003914451%	0.003926943%	0.003272825%	0.002596317%
Proportionate share of the net pension liability/(asset)	\$ 477,947	\$ 439,386	\$ 346,399	\$ 277,610
Covered-employee payroll	1,362,133	1,313,525	\$ 1,068,969	\$ 827,577
Proportionate share of the net pension liability/(asset) as a percentage of its covered-employee payroll	35%	33%	32%	34%
Plan fiduciary net position as a percentage of the total pension liability (Note 2)	3.00%	2.63%	2.15%	1.64%

See Independent Auditor's Report.

**PALM BAY PREPARATORY ACADEMY**  
**(A CHARTER SCHOOL UNDER PALM BAY EDUCATION GROUP, INC.)**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF BAY COUNTY, FLORIDA**

*Schedule of Contributions*  
*Health Insurance Subsidy Program*

	as of 6/30/21 (Note 1)	as of 6/30/20 (Note 1)	as of 6/30/19 (Note 1)	as of 6/30/18 (Note 1)	as of 6/30/17 (Note 1)
Contractually required contribution	\$ 21,793	\$ 22,557	\$ 21,806	\$ 17,749	\$ 13,740
Contributions in relation to the contractually required contribution	<u>\$ (21,793)</u>	<u>\$ (22,557)</u>	<u>\$ (21,806)</u>	<u>\$ (17,749)</u>	<u>\$ (13,740)</u>
Contribution deficiency/(excess)	0	0	0	0	0
Covered-employee payroll	\$ 1,312,530	\$ 1,362,133	\$ 1,313,525	\$ 1,068,969	\$ 827,577
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.66%	1.66%

See Independent Auditor's Report.

**PALM BAY PREPARATORY ACADEMY**  
**(A CHARTER SCHOOL UNDER PALM BAY EDUCATIONAL GROUP, INC.)**

A Charter School And Component Unit of the District School Board of Bay County, Florida

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2021**

**1. BUDGETARY BASIS OF ACCOUNTING**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

**2. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS –FLORIDA RETIREMENT SYSTEM PENSION PLAN**

*Changes of Assumptions.* The long-term expected rate of return was decreased from 6.9 percent to 6.8 percent, and the active member mortality assumption was updated.

**3. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS –HEALTH INSURANCE SUBSIDY PENSION PLAN**

*Changes of Assumptions.* The municipal bond rate used to determine total pension liability was decreased from 3.5 percent to 2.21 percent.



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Directors Palm Bay Preparatory Academy  
(A Charter School under Palm Bay Education Group, Inc.)  
a Charter School and Component Unit of the  
District School Board of Bay County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Palm Bay Preparatory Academy ("School"), a charter school under Palm Bay Education Group, Inc. and component unit of the District School Board of Bay County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 21, 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 ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or 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 compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

September 21, 2021  
Tampa, Florida



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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors Palm Bay Preparatory Academy  
(A Charter School under Palm Bay Education Group, Inc.)  
a Charter School and Component Unit of the  
District School Board of Bay County, Florida

**Report on the Financial Statements**

We have audited the financial statements of the Palm Bay Preparatory Academy (“School”), (A charter school under Palm Bay Education Group, Inc.) a Charter School and Component Unit of the District School Board of Bay County, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 21, 2021.

**Auditor’s Responsibility**

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

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 21, 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. There were no prior audit findings or recommendations.

**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 Palm Bay Preparatory Academy 6-12, 030771.

### **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**

General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

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

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 21, 2021  
Tampa, Florida