

**PALM BEACH
MARITIME ACADEMY**

(A charter school under
Palm Beach Maritime Museum, Inc.)

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

INDEPENDENT AUDITOR'S REPORT

for the fiscal year ended JUNE 30, 2016

King & Walker, CPAs, PL

Certified Public Accountants

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PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida

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Independent Auditor's Report

To the Board of Directors of the Palm Beach Maritime Academy
(A charter school under Palm Beach Maritime Museum, Inc.),
a Charter School and Component Unit of the District
School Board of Palm Beach 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 Beach Maritime Academy, a charter school under Palm Beach Maritime Museum, Inc. ("School"), and a component unit of the District School Board of Palm Beach County, Florida, as of and for the year ended June 30, 2016, 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, 2016, 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, 2016, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of Palm Beach Maritime Museum, Inc. These financial statements do not purport to and do not present fairly the financial position of Palm Beach Maritime Museum, Inc. as of June 30, 2016 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 28, 2016 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,



September 28, 2016
Tampa, Florida

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Palm Beach Maritime Academy, a charter school under Palm Beach Maritime Museum, Inc. ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2016.

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, 2016, the School's expenses exceeded revenues as shown on the School's statement of activities by \$849,283.
- As shown on the statement of net position, the School reported an unrestricted Net Position balance of \$557,270.

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 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.

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 four funds; a General Fund to for its general operations and internal account activities, a Capital Projects Fund to account for charter school capital outlay funding and bond proceeds to be used for lease, rent or construction of school facilities, a Debt Service fund to account for its long-term bonded debt, and a Special Revenue Fund to account for Federal grant programs. For reporting purposes, the General Fund and Debt Service Fund are major funds of the School. Data from the other governmental funds are combined into a single aggregate presentation.

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

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net position as of June 30, 2015 and June 30, 2016:

	Net Position, End of Year		
	Governmental Activities		
	6-30-15	6-30-16	Increase (Decrease)
ASSETS			
Current and Other Assets	\$ 2,933,974	\$ 2,360,638	\$ (573,336)
Capital Assets, net	9,097,588	8,717,596	(379,992)
Total Assets	<u>12,031,562</u>	<u>11,078,234</u>	<u>(953,328)</u>
LIABILITIES			
Current Liabilities	475,081	451,242	(23,839)
Long Term Liabilities	13,769,077	13,688,871	(80,206)
Total Liabilities	<u>14,244,158</u>	<u>14,140,113</u>	<u>(104,045)</u>
NET POSITION			
Net Investment in Capital Assets	(4,671,489)	(4,971,275)	(299,786)
Restricted	1,967,998	1,352,126	(615,872)
Unrestricted	490,895	557,270	66,375
Total Net Position	<u>\$ (2,212,596)</u>	<u>\$ (3,061,879)</u>	<u>\$ (849,283)</u>

The assets of the School primarily consist of cash and cash equivalents, restricted investments, and capital assets. Liabilities consist primarily of accrued salary and benefits payable, capital lease obligations, and bonds payable.

The key elements of the changes in the School's net position for the fiscal year ended June 30, 2015 and June 30, 2016 are as follows:

Operating Results for the Year			
Governmental Activities			
	6-30-15	6-30-16	Increase (Decrease)
Revenues:			
Federal through Local	\$ 326,548	\$ 401,690	\$ 75,142
State Sources	7,777,114	7,629,690	(147,424)
Local and Other	623,843	591,460	(32,383)
Total Revenues	8,727,505	8,622,840	(104,665)
Expenses:			
Instruction	3,883,700	3,916,554	32,854
Pupil Personnel Services	219,894	242,368	22,474
Instr. & Curriculum Development	39,566	69,172	29,606
Instructional Staff Training	6,151	2,935	(3,216)
Board of Education	449,764	418,944	(30,820)
General Administration	521,846	13,312	(508,534)
School Administration	962,799	918,616	(44,183)
Facilities Acquisition & Construction	523,979	593,287	69,308
Fiscal Services	104,276	160,597	56,321
Food Services	42,907	31,814	(11,093)
Central Services	86,565	141,300	54,735
Pupil Transportation	416,415	376,673	(39,742)
Operation of Plant	903,927	917,421	13,494
Administrative Technology	68,206	93,178	24,972
Community Service	218,474	135,915	(82,559)
Debt Service - Interest & Fiscal Charges	1,721,115	1,000,118	(720,997)
Amortization of Bond Discount	28,437	28,437	-
Unallocated Depreciation	405,157	411,482	6,325
Total Expenses	10,603,178	9,472,123	(1,131,055)
Increase/(Decrease) in Net Position	\$ (1,875,673)	\$ (849,283)	\$ 1,026,390

The largest revenue source for the School is the State of Florida (89%). 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. An enrollment increase of Full Time Equivalent Students is the main source of the increase in State revenue.

The largest concentrations of expenses were for Instruction related functions (45%), which primarily consisted of teacher salaries and Facilities related functions (17%), which primarily consisted of the School's facility lease payments and operation costs.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$1,909,396.

BUDGETARY HIGHLIGHTS

The General Fund budget for the fiscal year ended June 30, 2016, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised the budget. For the fiscal year ended June 30, 2016, the actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School's capital assets for its governmental activities as of June 30, 2016, amounts to \$8,717,596 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, fixtures, and equipment, assets under capital lease, and leasehold improvements. Additional information regarding the School's capital assets can be found in the Notes to the financial statements.

Long-Term Debt

At June 30, 2016, the School had \$14,145,000 in bonded debt outstanding and capital lease debt of \$197,910. Additional information about the School's long-term debt is presented in the Notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2017 include:

- Continued funding from FEFP.
- Expected increase in enrollment.

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 Director, Palm Beach Maritime Academy, 1518 W. Lantana Road, Lantana, FL 33462.

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

STATEMENT OF NET POSITION

June 30, 2016

	Governmental Activities
ASSETS	
Cash & Cash Equivalents	\$ 431,321
Restricted Investments	1,352,126
Accounts Receivable	80,412
Due From Other Agencies	248,762
Due From Palm Beach Maritime High (PBM)	112,587
Deposits and Prepaid Expenses	91,250
Other Assets	44,180
Capital Assets:	
Land	2,150,000
Buildings, Net	6,020,000
Leasehold Improvements, Net	35,711
Furniture, Fixtures, and Equipment, Net	235,327
Assets Under Capital Lease, Net	276,558
Total Capital Assets, Net	8,717,596
TOTAL ASSETS	11,078,234
LIABILITIES	
Accounts Payable	67,744
Salary and Benefits Payable	383,498
Long-Term Liabilities:	
Due within one year - Capital Leases	124,052
Due after one year - Bonds Payable	13,490,961
Due after one year - Capital Leases	73,858
TOTAL LIABILITIES	14,140,113
NET POSITION	
Net Investment in Capital Assets	(4,971,275)
Restricted for Debt Service	1,150,646
Restricted for Capital Projects	201,480
Unrestricted	557,270
TOTAL NET POSITION	\$ (3,061,879)

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

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

		Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 3,916,554	\$ -	\$ 401,690	\$ -	\$ (3,514,864)	\$ (3,514,864)
Pupil Personnel Services	242,368				(242,368)	(242,368)
Instruction & Curriculum Development	69,172				(69,172)	(69,172)
Instructional Staff Training	2,935				(2,935)	(2,935)
Board of Education	418,944				(418,944)	(418,944)
General Administration	13,312				(13,312)	(13,312)
School Administration	918,616				(918,616)	(918,616)
Facilities Acquisition & Construction	593,287			236,473	(356,814)	(356,814)
Fiscal Services	160,597				(160,597)	(160,597)
Food Services	31,814				(31,814)	(31,814)
Central Services	141,300				(141,300)	(141,300)
Pupil Transportation	376,673				(376,673)	(376,673)
Operation of Plant	917,421				(917,421)	(917,421)
Administrative Technology	93,178				(93,178)	(93,178)
Community Service	135,915				(135,915)	(135,915)
Debt Service - Interest & Fiscal Charges	1,000,118				(1,000,118)	(1,000,118)
Amortization of Bond Discount	28,437				(28,437)	(28,437)
Unallocated Depreciation	411,482				(411,482)	(411,482)
Total Governmental Activities	\$ 9,472,123	\$ -	\$ 401,690	\$ 236,473	(8,833,960)	(8,833,960)
General Revenues:						
State Sources					7,393,217	7,393,217
Local and Other					591,460	591,460
Total General Revenues					7,984,677	7,984,677
Change in Net Position					(849,283)	(849,283)
Net Position - July 1, 2015					(2,212,596)	(2,212,596)
Net Position - June 30, 2016					\$ (3,061,879)	\$ (3,061,879)

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

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash & Cash Equivalents	\$ 431,321	\$ -	\$ -	\$ 431,321
Restricted Investments		1,150,646	201,480	1,352,126
Accounts Receivable	80,412			80,412
Due From Other Agencies	248,762			248,762
Due From PBM High	112,587			112,587
Deposits & Prepaid Expenses	91,250			91,250
Other Assets	44,180			44,180
Total Assets	\$ 1,008,512	\$ 1,150,646	\$ 201,480	\$ 2,360,638
LIABILITIES				
Accounts Payable	\$ 67,744	\$ -	\$ -	\$ 67,744
Salary and Benefits Payable	383,498			383,498
Total Liabilities	451,242	-	-	451,242
FUND BALANCES				
Nonspendable	91,250			91,250
Restricted		1,150,646	201,480	1,352,126
Unassigned	466,020			466,020
Total Fund Balances	557,270	1,150,646	201,480	1,909,396
Total Liabilities and Fund Balances	\$ 1,008,512	\$ 1,150,646	\$ 201,480	\$ 2,360,638

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

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
June 30, 2016

Total Fund Balances - Governmental Funds	\$	1,909,396
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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.		8,717,596
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Bonds and Capital Leases Payable	14,145,000		
Deferred Charges	(654,039)		
Bonds Payable, Net	13,490,961		(13,490,961)
Capital Leases Payable	197,910		(197,910)

Total Net Position - Governmental Activities	\$	(3,061,879)
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The accompanying notes to financial statements are an integral part of this statement.

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
For the Fiscal Year Ended June 30, 2016

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal Through Local	\$	\$	\$ 401,690	\$ 401,690
State Sources	7,393,217		236,473	7,629,690
Local and Other	590,855	521	84	591,460
Total Revenues	7,984,072	521	638,247	8,622,840
Expenditures				
Current - Education:				
Instruction	\$ 3,514,864	\$ -	401,690	\$ 3,916,554
Pupil Personnel Services	242,368			242,368
Instruction & Curriculum Development	69,172			69,172
Instructional Staff Training	2,935			2,935
Board of Education	228,336	36,340	154,268	418,944
General Administration	13,312			13,312
School Administration	918,616			918,616
Facilities Acquisition & Construction	356,814		236,473	593,287
Fiscal Services	160,597			160,597
Food Services	31,814			31,814
Central Services	141,300			141,300
Pupil Transportation	376,673			376,673
Operation of Plant	917,421			917,421
Administrative Technology	93,178			93,178
Community Service	135,915			135,915
Fixed Capital Outlay:				
Other Capital Outlay	31,490			31,490
Debt Service:				
Principal	115,611			115,611
Interest and Fiscal Charges	34,249	965,869		1,000,118
Total Expenditures	7,384,665	1,002,209	792,431	9,179,305
Excess (Deficiency) of Revenues Over Expenditures	599,407	(1,001,688)	(154,184)	(556,465)
Other Financing Sources (Uses):				
Proceeds From Inception of Capital Lease	6,968			6,968
Transfers In		495,000	45,000	540,000
Transfers (Out)	(540,000)			(540,000)
Total Other Financing Sources (Uses)	(533,032)	495,000	45,000	6,968
Net Change in Fund Balances	66,375	(506,688)	(109,184)	(549,497)
Fund Balances, July 1, 2015	490,895	1,657,334	310,664	2,458,893
Fund Balances, June 30, 2016	\$ 557,270	\$ 1,150,646	\$ 201,480	\$ 1,909,396

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

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2016

Net Change in Fund Balances - Governmental Funds	\$	(549,497)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of depreciation expense (\$411,482) in excess of capital outlays (\$31,490) in the current period.		(379,992)
Governmental funds report the effect of discounts when debt is first issued, whereas this amount is deferred and amortized over the life of the debt in the statement of activities.		(28,437)
Proceeds from the inception of capital leases are reported as other financing sources in governmental funds and as long-term liabilities in the statement of net assets.		(6,968)
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		115,611
Change in Net Position - Governmental Activities	\$	<u>(849,283)</u>

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Palm Beach Maritime Academy, a charter school under Palm Beach Maritime Museum, Inc. (“School”) is a component unit of the District School Board of Palm Beach County, Florida. The School’s charter is held by Palm Beach Maritime Museum, 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 not less than three 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 Beach Maritime Museum, Inc. as of June 30, 2016, 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 Palm Beach County, Florida, (“District”). The charter was granted starting for the 1999-2000 school year and is effective until June 30, 2013. In March 2012, the School received notice of a 15-year renewal of their charter agreement until June 30, 2027. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

➤ **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.
- Debt Service Fund – to account for the accumulation of resources for, and the payment of, long-term debt principal and interest and related costs.

The remaining governmental funds are combined into a single aggregate presentation.

➤ **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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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 Investments**

Cash deposits consist of demand deposits and a money market account with a financial institution. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

The School's deposits must be 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.

➤ **Restricted Investments**

Certain proceeds of the School's revenue bonds, as well as resources set aside for their repayment, are classified as restricted assets on the statement of net position and the balance sheet-governmental funds because their use is limited by applicable bond covenants and they are maintained in separate bank accounts.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

➤ **Fair Value Measurement**

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

➤ **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.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	30 years
Furniture, Fixtures and Equipment	5 years
Assets Under Capital Lease	5 years
Leasehold Improvements	10 years

➤ **Long-term Debt**

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.

➤ **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. The School does not have any items that qualify for reporting in this category.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The School does not have any items that qualify for reporting in this category.

➤ **Net Position and Fund Balance Classification**

Government-wide financial statements

Net Position is 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 positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

➤ **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 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 students (FTE) 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, 2016, the School reported 1042.06 unweighted FTE and 1106.104 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 on for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

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 receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the District and are to be used for lease, rent or construction of school facilities. The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

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 notes 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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

➤ **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. Management determined the following events require disclosure:

On September 29, 2016 the Board approved a forbearance agreement dated June 1, 2016 applicable to its 2014A and 2014B bonded debt. The forbearance agreement between the School and the Bond's Trustee, effectively suspends the scheduled principal and interest payments established under the original bond issue until the earlier of June 30, 2017 or the agreement to reissue bonds for the outstanding debt. In addition, the forbearance agreement calls for additional payments ranging from \$10,000 to \$150,000 based on enrollment in the 2016-17 fiscal year.

2. REPORTING CHANGES

The School implemented GASB Statement No.72, *Fair Value Measurement and Application*, which requires the School to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value.

3. 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.

4. INVESTMENTS

The School had not adopted a written investment policy. Therefore, pursuant to Florida Statutes, the School is authorized to invest in the Florida PRIME investment pool, administered by the State Board of Administration (SBA); Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency; interest-bearing time deposits and savings accounts in qualified public depositories, as defined by Section 280.02, Florida Statutes; and direct obligations of the United States Treasury.

Investments set aside to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital assets are classified as restricted.

All of the School's recurring fair value measurements as of June 30, 2016 are valued using quoted market prices (Level 1 inputs).

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

The School's investments at June 30, 2016, are reported as follows:

	Amount	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
US Bank Elite Money Market Account	\$ 1,352,126	\$ 1,352,126	\$ -	\$ -
Total investments	\$ 1,352,126	\$ 1,352,126	\$ -	\$ -

5. DUE FROM OTHER AGENCIES

The amount due from other agencies included in the accompanying statement of net position and balance sheet – governmental funds consists of amounts due for Federal grant reimbursements due from the District School Board of Palm Beach County, additionally an amount is due under the Federal E-Rate program. These receivables are considered to be fully collectible and as such, no allowance for uncollectible accounts has been established.

6. DUE FROM PALM BEACH MARITIME ACADEMY HIGH SCHOOL

This receivable included in the accompanying statement of net position and balance sheet – governmental funds consists of payments made on behalf of the School for Palm Beach Maritime Academy High School, a charter school under the same charter-holder, awaiting reimbursement.

7. INTERFUND TRANSFERS

The General Fund transferred \$495,000 and \$45,000 to the Debt Service Fund and the Capital Projects Fund, respectively to increase reserves and fund expenses associated with the School's bond issue. The amounts of interfund transfers are netted together and not reported on the statement of activities.

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

8. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below.

	Beginning Balance	Additions	Deletions	Ending Balance
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 2,150,000	\$ -	\$ -	\$ 2,150,000
Total Capital Assets Not Being Depreciated	<u>2,150,000</u>	<u>-</u>	<u>-</u>	<u>2,150,000</u>
Capital Assets Being Depreciated:				
Buildings	6,450,000	-		6,450,000
Leasehold Improvements	64,269			64,269
Furniture, Fixtures and Equipment	547,678	24,522		572,200
Assets Under Capital Lease	522,839	6,968		529,807
Total Capital Assets Being Depreciated	<u>7,584,786</u>	<u>31,490</u>	<u>-</u>	<u>7,616,276</u>
Less Accumulated Depreciation for:				
Buildings	(215,000)	(215,000)		(430,000)
Leasehold Improvements	(25,669)	(2,889)		(28,558)
Furniture, Fixtures and Equipment	(226,982)	(109,891)		(336,873)
Assets Under Capital Lease	(169,547)	(83,702)		(253,249)
Total Accumulated Depreciation	<u>(637,198)</u>	<u>(411,482)</u>	<u>-</u>	<u>(1,048,680)</u>
Total Capital Assets Being Depreciated, Net	<u>6,947,588</u>	<u>(379,992)</u>	<u>-</u>	<u>6,567,596</u>
Governmental Activities Capital Assets, Net	<u>\$ 9,097,588</u>	<u>\$ (379,992)</u>	<u>\$ -</u>	<u>\$ 8,717,596</u>

All depreciation expense was shown as unallocated on the Statement of Activities.

9. CAPITAL LEASES PAYABLE

The School entered into several capital lease agreements in order to acquire computer equipment and facility improvements. The asset value of these assets total \$529,807. The capital lease agreements require monthly payments with terms ranging from 36 months to 60 months at interest rates ranging from 8.1% to 14.5%. Interest paid on all capital leases for the 2015-16 fiscal year totaled \$34,249.

The annual requirements amortize the capital leases outstanding at June 30, 2016, is as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2017	\$ 136,513	\$ 124,052	\$ 12,461
2018	72,516	68,698	3,818
2019	5,276	5,160	116
Total	<u>\$ 214,305</u>	<u>\$ 197,910</u>	<u>\$ 16,395</u>

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

10. BONDS PAYABLE

Bonds payable at June 30, 2016, are as follows:

<u>Bond Type</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Revenue Bonds:			
Series 2014A	\$ 12,055,000	6.5 - 7.0%	2040
Series 2014B	<u>2,090,000</u>	6.25%	2017
Total Bonds Payable	<u>\$ 14,145,000</u>		

Revenue Bonds Series 2014A and 2014B – On June 26, 2014, the School issued tax-exempt revenue bonds (Series 2014A) for \$21,000,000 and taxable revenue bonds (Series 2014B) for \$3,640,000 secured by a mortgage on the School’s property and buildings. The bonds were issued to purchase land and buildings for the operation of a second School campus, fund the construction, equipping and making certain renovations and capital improvements and refunding of \$1,000,000 Education Revenue Bonds issued in April 2014.

Series 2014A bonds are term bonds paying interest semi-annually at a rate of 6.5% to 7.0% with maturities starting 5/01/2015, and ending 5/01/2040. Series 2014B bonds are term bonds paying interest semi-annually at a rate of 6.25% with maturities starting 5/01/2015, and ending 5/01/2017.

A portion of the Project, as contemplated in the original bond issue, was not completed and accordingly, as of March 17, 2015, an amendment to the Bond Issue was made to provide for the repayment of \$8,945,000 and \$1,550,000 of principal for the 2014A and 2014B bonds, respectively. In addition, On September 29, 2016 the Board approved a forbearance agreement dated June 1, 2016 applicable to its 2014A and 2014B bonded debt. The forbearance agreement between the School and the Bond’s Trustee, effectively suspends the scheduled principal and interest payments established under the original bond issue until the earlier of June 30, 2017 or the agreement to reissue bonds for the outstanding debt. In addition, the forbearance agreement calls for additional payments ranging from \$10,000 to \$150,000 based on enrollment in the 2016-17 fiscal year.

As required by the bond resolution, the District has established a sinking fund and reserve account and has accumulated and maintained adequate resources in the sinking fund and reserve account.

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida

NOTES TO FINANCIAL STATEMENTS
June 30, 2016

11. 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
GOVERNMENTAL ACTIVITIES:					
Bonds Payable	\$ 14,145,000	\$ -	\$ -	\$ 14,145,000	\$ -
Capital Leases Payable	306,553	6,968	(115,611)	197,910	124,052
Total Governmental Activities	<u>\$ 14,451,553</u>	<u>\$ 6,968</u>	<u>\$ (115,611)</u>	<u>\$ 14,342,910</u>	<u>\$ 124,052</u>

12. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 4,452,608
Class Size Reduction	1,247,621
Discretionary Local Effort	640,315
Capital Outlay Admin.	276,582
Charter School Capital Outlay	236,473
Supplementary Academic Instruction	197,743
ESE Guaranteed Allocation	177,378
Student Transportation	164,438
Miscellaneous	101,225
Instructional Materials	80,069
Safe Schools	23,621
Digital Classrooms	17,233
Teachers Classroom Supply Program	14,384
Total State Revenue	<u>\$ 7,629,690</u>

The District receives an administrative fee from the School for the first 250 FTE which totaled \$87,298, this fee is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

13. PENSION PLAN

The School participates in a defined contribution tax sheltered annuity plan for all of its employees. Contributions made by the School totaled \$40,533 for the year ended June 30, 2016 which was computed at 2% of employee's qualifying gross wages.

PALM BEACH MARITIME ACADEMY

(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

14. FACILITY LEASE

The Palm Beach Maritime Museum, Inc. (“Museum”), the School’s charter-holder, leases a facility under a long-term lease agreement to provide the School a part of their educational facility as follows:

Lantana 2 Facility: The Museum entered into a 20 year lease for an educational facility on July 12, 2013. The lease contains required monthly minimum lease payment as of that date and thereafter, the minimum required lease payment increased based upon the increase in the Base Student Allocation as determined annually by the Florida Department of Education. At the end of the initial lease term, the lease may be extended for up to four times at a period of five years each. The lease requires the Museum to pay all expenses for insurance, taxes, utilities, maintenance and repair of the facility. Rental expenses for under this lease were \$582,918 for the year.

The Museum is legally obligated on the foregoing operating lease agreement and although there is no formal sublease agreement between the Museum and the School, the Museum expects the monthly lease payments will be passed through and paid by the School.

The following is a schedule, by years, of the School’s portion of future minimum rental payments required under the operating lease in excess of one year:

Fiscal Year	
<u>Ending June 30:</u>	<u>Amount</u>
2017	\$ 585,955
2018	585,955
2019	585,955
2020	585,955
2021	585,955
2022-2026	2,929,775
2027-2031	2,929,775
2032-2033	1,171,910
Total	<u>\$ 9,961,235</u>

15. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

16. FUNDING AND CREDIT RISK 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.

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, 2016, 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. 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.

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF THE
DISTRICT SCHOOL BOARD OF PALM BEACH COUNTY, FLORIDA

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2016

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal Through Local	\$ -	\$ -	\$ -	\$ -
State Sources	7,574,304	7,393,217	7,393,217	-
Local and Other	468,666	590,855	590,855	-
Total Revenues	<u>8,042,970</u>	<u>7,984,072</u>	<u>7,984,072</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	3,756,416	3,514,864	3,514,864	-
Pupil Personnel Services	314,253	242,368	242,368	-
Instruction & Curriculum Development	-	69,172	69,172	-
Instructional Staff Training	-	2,935	2,935	-
Board of Education	106,308	228,336	228,336	-
General Administration	174,122	13,312	13,312	-
School Administration	976,334	918,616	918,616	-
Facilities Acquisition & Construction	664,720	356,814	356,814	-
Fiscal Services	98,202	160,597	160,597	-
Food Services	30,724	31,814	31,814	-
Central Services	99,220	141,300	141,300	-
Pupil Transportation	386,683	376,673	376,673	-
Operation of Plant	891,836	917,421	917,421	-
Administrative Technology	87,723	93,178	93,178	-
Community Service	109,955	135,915	135,915	-
Fixed Capital Outlay:				
Other Capital Outlay	-	31,490	31,490	-
Debt Service:				
Principal	167,669	115,611	115,611	-
Interest and Fiscal Charges	-	34,249	34,249	-
Total Expenditures	<u>7,864,165</u>	<u>7,384,665</u>	<u>7,384,665</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>178,805</u>	<u>599,407</u>	<u>599,407</u>	<u>-</u>
Other Financing Sources (Uses):				
Proceeds From Inception of Capital Leases	-	6,968	6,968	-
Transfers In/(Out)	-	(540,000)	(540,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(533,032)</u>	<u>(533,032)</u>	<u>-</u>
Net Change in Fund Balance	178,805	66,375	66,375	-
Fund Balance, July 1, 2015	490,895	490,895	490,895	-
Fund Balance, June 30, 2016	<u>\$ 669,700</u>	<u>\$ 557,270</u>	<u>\$ 557,270</u>	<u>\$ -</u>

See Independent Auditor's Report.

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
A Charter School and Component Unit of the District School Board of Palm Beach County, Florida

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

1. BUDGETS AND BUDGETARY 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.

Members:
Florida Institute of CPAs
American Institute of CPAs
Government Audit Quality Center

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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 of the Palm Beach Maritime Academy
(A charter school under Palm Beach Maritime Museum, Inc.),
a Charter School and Component Unit of the District
School Board of Palm Beach 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 Beach Maritime Academy, a charter school under Palm Beach Maritime Museum, Inc. ("School"), and a component unit of the District School Board of Palm Beach County, Florida, as of and for the year ended June 30, 2016, 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 28, 2016.

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,

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

September 28, 2016
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 of the Palm Beach Maritime Academy
(A charter school under Palm Beach Maritime Museum, Inc.),
a Charter School and Component Unit of the District
School Board of Palm Beach County, Florida

Report on the Financial Statements

We have audited the financial statements of the Palm Beach Maritime Academy (A charter school under Palm Beach Maritime Museum, Inc.), (“School”), a Charter School and Component Unit of the District School Board of Palm Beach County, Florida, as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 28, 2016.

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 Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 28, 2016, 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 the name or official title of the entity. The official title of the entity is Palm Beach Maritime Academy.

Financial Condition

Sections 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of 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 the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report 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.

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor 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 the District School Board of Palm Beach County and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Handwritten signature of King Q Walker, CPAs in black ink.

September 28, 2016
Tampa, Florida