

**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, 2018

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, 2018, 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, 2018, 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, 2018, 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, 2018 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 August 24, 2018 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,



August 24, 2018
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, 2018.

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, 2018, the School’s revenues exceeded expenses as shown on the School’s statement of activities by \$4,642,058.
- As shown on the statement of net position, the School reported an unrestricted Net Position balance of \$616,254.

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.

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)

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 School as chosen to report all funds as major funds of the School.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Major Special Revenue 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.

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
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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		
	<u>Governmental Activities</u>		
	<u>6-30-17</u>	<u>6-30-18</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 1,906,611	\$ 1,015,530	\$ (891,081)
Capital Assets, net	8,340,279	300,014	(8,040,265)
Total Assets	<u>10,246,890</u>	<u>1,315,544</u>	<u>(8,931,346)</u>
LIABILITIES			
Current Liabilities	434,654	399,276	(35,378)
Long Term Liabilities	13,593,256	55,230	(13,538,026)
Total Liabilities	<u>14,027,910</u>	<u>454,506</u>	<u>(13,573,404)</u>
NET POSITION			
Net Investment in Capital Assets	(5,252,977)	244,784	5,497,761
Restricted	773,664	-	(773,664)
Unrestricted	698,293	616,254	(82,039)
Total Net Position	<u>\$ (3,781,020)</u>	<u>\$ 861,038</u>	<u>\$ 4,642,058</u>

The assets of the School primarily consist of cash and cash equivalents, accounts receivable, deposits and prepaid expenses, and capital assets. Liabilities consist of accounts payable, salary and benefits payable, and a capital lease obligation. In the current year, the School reached an agreement to cancel the outstanding bonds and transfer the associated capital assets. This is the cause for the large decrease in capital assets and long-term liabilities.

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 following is a summary of the School's net position for the current year and prior year:

	Operating Results for the Year		
	Governmental Activities		
	6-30-17	6-30-18	Increase (Decrease)
Revenues:			
Federal Through Local	\$ 346,764	\$ 357,867	\$ 11,103
State Sources	6,762,869	6,262,941	(499,928)
Gain on Disposal of Assets and Debt	-	5,564,398	5,564,398
Local and Other	427,494	828,908	401,414
Total Revenues	7,537,127	13,014,114	5,476,987
Expenses:			
Instruction	3,249,065	3,370,567	121,502
Student Personnel Services	218,691	227,458	8,767
Instr. & Curriculum Development	9,776	-	(9,776)
Instructional Staff Training	2,566	-	(2,566)
Board of Education	264,184	180,065	(84,119)
General Administration	1,412	2,539	1,127
School Administration	786,165	733,514	(52,651)
Facilities Acquisition & Construction	703,985	1,163,883	459,898
Fiscal Services	176,286	223,514	47,228
Food Services	14,490	21,480	6,990
Central Services	101,891	96,940	(4,951)
Student Transportation	321,658	431,813	110,155
Operation of Plant	753,304	855,230	101,926
Administrative Technology	79,640	89,520	9,880
Community Service	127,857	127,311	(546)
Debt Service - Interest & Fiscal Charges	1,003,462	659,509	(343,953)
Amortization of Bond Discount	28,437	-	(28,437)
Unallocated Depreciation	413,399	188,713	(224,686)
Total Expenses	8,256,268	8,372,056	115,788
Increase/(Decrease) in Net Position	\$ (719,141)	\$ 4,642,058	\$ 5,361,199

The largest operating revenue source for the School is the State of Florida (84%). 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 School reported a gain from the cancellation of bonded debt and the transfer of related assets of 5,564,398.

The largest concentrations of expenses were for Instruction related functions (43%), which primarily consisted of teacher salaries, and Facilities related functions (24%) which primarily consisted of the School's facility lease payments and operation costs.

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

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its governmental funds reported a combined fund balance of \$616,254.

BUDGETARY HIGHLIGHTS

The General Fund and Major Special Revenue Fund budgets for the fiscal year ended June 30, 2018, were developed based on the School's anticipated revenues including Federal grants and expenditures and the expected student population for the school year. Over the course of the year, the school revised the budgets. For the fiscal year ended June 30, 2018, the actual expenditures were equal to the final budgets. 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, 2018, amounts to \$300,014 (net of accumulated depreciation). This investment in capital assets includes, 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, 2018, the School reported capital lease debt of \$55,230. Additional information about the School's long-term debt is presented in the Notes to the financial statements.

On August 8, 2017, the School signed a Satisfaction of Mortgage and Related Instruments with the School's bond holder which effectively cancelled the outstanding bond indebtedness of \$14,145,000 and transferred ownership of the School's land and building purchased at a cost of \$8,600,000 to a third party. The gain from the early extinguishment of debt of amounted to \$5,564,398 as reported as a Special Item on the Statement of Activities.

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 2019 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, 2018

		<u>Governmental Activities</u>
ASSETS		
Cash & Cash Equivalents	\$	464,362
Accounts Receivable		254,801
Due From Other Agencies		51,602
Due From Palm Beach Maritime High		12,261
Deposits and Prepaid Expenses		232,504
Capital Assets:		
Leasehold Improvements, Net		23,552
Furniture, Fixtures, and Equipment, Net		112,420
Assets Under Capital Lease, Net		164,042
Total Capital Assets, Net		<u>300,014</u>
TOTAL ASSETS		<u><u>1,315,544</u></u>
LIABILITIES		
Accounts Payable		62,446
Salary and Benefits Payable		336,830
Long-Term Liabilities:		
Due within one year - Capital Leases		26,687
Due after one year - Capital Leases		28,543
TOTAL LIABILITIES		<u><u>454,506</u></u>
NET POSITION		
Net Investment in Capital Assets		244,784
Unrestricted		616,254
TOTAL NET POSITION	\$	<u><u>861,038</u></u>

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, 2018

		Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Governmental Activities:					
Instruction	\$ 3,370,567	\$ -	\$ 357,867	\$ -	\$ (3,012,700)
Student Personnel Services	227,458				(227,458)
Board of Education	180,065				(180,065)
General Administration	2,539				(2,539)
School Administration	733,514				(733,514)
Facilities Acquisition & Construction	1,163,883		211,062	152,944	(799,877)
Fiscal Services	223,514				(223,514)
Food Services	21,480				(21,480)
Central Services	96,940				(96,940)
Student Transportation	431,813				(431,813)
Operation of Plant	855,230				(855,230)
Administrative Technology	89,520				(89,520)
Community Service	127,311	254,989			127,678
Debt Service - Interest & Fiscal Charges	659,509				(659,509)
Unallocated Depreciation	188,713				(188,713)
Total Governmental Activities	\$ 8,372,056	\$ 254,989	\$ 568,929	\$ 152,944	(7,395,194)
General Revenues:					
State Sources					5,898,935
Local and Other					573,919
Special Item - Cancellation of Bond & Disposal of Assets					5,564,398
Total General Revenues					12,037,252
Change in Net Position					4,642,058
Net Position - July 1, 2017					(3,781,020)
Net Position - June 30, 2018					\$ 861,038

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, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
ASSETS					
Cash & Cash Equivalents	\$ 464,362	\$ -	\$ -	\$ -	\$ 464,362
Accounts Receivable	254,801				254,801
Due From Other Agencies	51,602				51,602
Due From Palm Beach Maritime High	12,261				12,261
Deposits & Prepaid Expenses	232,504				232,504
Total Assets	\$ 1,015,530	\$ -	\$ -	\$ -	\$ 1,015,530
LIABILITIES					
Accounts Payable	\$ 62,446	\$ -	\$ -	\$ -	\$ 62,446
Salary and Benefits Payable	336,830				336,830
Total Liabilities	399,276	-	-	-	399,276
FUND BALANCES					
Nonspendable	232,504				232,504
Unassigned	383,750				383,750
Total Fund Balances	616,254	-	-	-	616,254
Total Liabilities and Fund Balances	\$ 1,015,530	\$ -	\$ -	\$ -	\$ 1,015,530

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, 2018

Total Fund Balances - Governmental Funds	\$	616,254
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		300,014
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:</p>		
Capital Leases Payable	55,230	(55,230)
Total Net Position - Governmental Activities	\$	<u><u>861,038</u></u>

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, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
Revenues					
Intergovernmental:					
Federal Through Local	\$ -	\$ -	\$ -	\$ 357,867	\$ 357,867
State Sources	6,109,997		152,944		6,262,941
Local and Other	385,399	3,518	439,992		828,909
Total Revenues	6,495,396	3,518	592,936	357,867	7,449,717
Expenditures					
Current - Education:					
Instruction	\$ 3,012,700	\$ -		357,867	\$ 3,370,567
Student Personnel Services	227,458				227,458
Board of Education	67,335	98,300	14,430		180,065
General Administration	2,539				2,539
School Administration	733,514				733,514
Facilities Acquisition & Construction	562,124	8,896	592,864		1,163,884
Fiscal Services	223,514				223,514
Food Services	21,480				21,480
Central Services	96,940				96,940
Student Transportation	431,813				431,813
Operation of Plant	855,230				855,230
Administrative Technology	89,520				89,520
Community Service	127,311				127,311
Fixed Capital Outlay:					
Other Capital Outlay	103,448				103,448
Debt Service:					
Principal	6,630	14,213,698			14,220,328
Interest and Fiscal Charges	2,142	585,351	72,016		659,509
Total Expenditures	6,563,698	14,906,245	679,310	357,867	22,507,120
Excess (Deficiency) of Revenues Over Expenditures	(68,302)	(14,902,727)	(86,374)	-	(15,057,403)
Other Financing Sources (Uses):					
Proceeds From Inception of Capital Lease	56,700				56,700
Transfers In/(Out)	(70,437)	70,437			-
Cancellation of Bonded Debt		14,145,000			14,145,000
Total Other Financing Sources (Uses)	(13,737)	14,215,437	-	-	14,201,700
Net Change in Fund Balances	(82,039)	(687,290)	(86,374)	-	(855,703)
Fund Balances, July 1, 2017	698,293	687,290	86,374	-	1,471,957
Fund Balances, June 30, 2018	\$ 616,254	\$ -	\$ -	\$ -	\$ 616,254

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.)
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**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
TO THE STATEMENT OF ACTIVITIES**
For the Fiscal Year Ended June 30, 2018

Net Change in Fund Balances - Governmental Funds	\$	(855,703)
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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 (\$188,713) in excess of capital outlays (\$103,448) in the current period. (85,265)

The transfer of ownership of the capital assets (disposal) purchased with the cancelled bonded debt and the unamortized bond discount are recorded in the statement of activities and not the governmental funds.

Unamortized Bond Discount	\$	(625,602)	
Net book value of capital assets transferred	\$	<u>7,955,000</u>	(8,580,602)

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. 14,220,328

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. (56,700)

Change in Net Position - Governmental Activities	\$	<u><u>4,642,058</u></u>
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The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018, 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 was 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, 2018

➤ **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.
- Capital Projects Fund – to account for all resources for the acquisition of capital and related items purchased by the School with capital outlay funds.
- Special Revenue Fund – to account for federal grant programs.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

➤ **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 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 qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance, up to specified limits, or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

➤ **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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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>
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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

- 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.

➤ **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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

➤ **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, 2018, the School reported 835.10 unweighted FTE and 885.3914 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).
- 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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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.

➤ **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 there are no subsequent events which require disclosure.

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.

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, 2018

3. 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, and 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.

4. INTERFUND TRANSFERS

The General Fund transferred \$70,437 to the Debt Service Fund for payment of long-term debt. The amounts of interfund transfers are netted together and not reported on the Statement of Activities.

5. 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>(2,150,000)</u>	<u>-</u>
Capital Assets Being Depreciated:				
Buildings	6,450,000	-	(6,450,000)	-
Leasehold Improvements	64,269	-	-	64,269
Furniture, Fixtures and Equipment	608,282	40,448	-	648,730
Assets Under Capital Lease	529,807	63,000	-	592,807
Total Capital Assets Being Depreciated	<u>7,652,358</u>	<u>103,448</u>	<u>(6,450,000)</u>	<u>1,305,806</u>
Less Accumulated Depreciation for:				
Buildings	(645,000)	-	645,000	-
Leasehold Improvements	(36,233)	(4,484)	-	(40,717)
Furniture, Fixtures and Equipment	(443,895)	(92,415)	-	(536,310)
Assets Under Capital Lease	(336,951)	(91,814)	-	(428,765)
Total Accumulated Depreciation	<u>(1,462,079)</u>	<u>(188,713)</u>	<u>645,000</u>	<u>(1,005,792)</u>
Total Capital Assets Being Depreciated, Net	<u>6,190,279</u>	<u>(85,265)</u>	<u>(5,805,000)</u>	<u>300,014</u>
Governmental Activities Capital Assets, Net	<u>\$ 8,340,279</u>	<u>\$ (85,265)</u>	<u>\$ (7,955,000)</u>	<u>\$ 300,014</u>

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

PALM BEACH MARITIME ACADEMY
(A CHARTER SCHOOL UNDER PALM BEACH MARITIME MUSEUM, INC.)
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NOTES TO FINANCIAL STATEMENTS
June 30, 2018

6. CAPITAL LEASES PAYABLE

The School entered into several capital lease agreements in order to acquire computer equipment and facility improvements and buses. The asset value of these assets total \$592,807. The capital lease agreements require monthly payments with terms ranging from 30 months to 60 months at interest rates ranging from 8.1% to 14.5%. Interest paid on all capital leases for the 2017-18 fiscal year totaled \$5,960.

The annual requirements amortize the capital leases outstanding at June 30, 2018, is as follows:

Fiscal Year Ending June	Total	Principal	Interest
2019	\$ 31,592	\$ 26,687	\$ 4,905
2020	26,316	24,221	2,095
2021	4,386	4,322	64
Total	<u>\$ 62,294</u>	<u>\$ 55,230</u>	<u>\$ 7,064</u>

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
<u>Governmental Activities:</u>					
Capital Leases Payable	\$ 73,858	\$ 56,700	\$ (75,328)	\$ 55,230	\$ 26,687
Bonds Payable	14,145,000	-	(14,145,000)	-	-
Unamortized Discount	(654,039)	-	654,039	-	-
Total Bonds Payable	<u>13,490,961</u>	<u>-</u>	<u>(13,490,961)</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>\$ 13,564,819</u>	<u>\$ 56,700</u>	<u>\$ (13,566,289)</u>	<u>\$ 55,230</u>	<u>\$ 26,687</u>

8. RETIREMENT PLAN

The School participates in a defined contribution tax sheltered annuity plan for all of its employees. Contributions made by the School totaled \$39,197 for the year ended June 30, 2018 which was computed at 2% of employee's qualifying gross wages.

9. 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.

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, 2018

10. SCHEDULE OF STATE REVENUE SOURCES

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

Source	Amount
Florida Education Finance Program	\$ 3,702,700
Class Size Reduction	996,871
Discretionary Local Effort	572,026
Restricted Capital Outlay - FEFP	211,062
ESE Guaranteed Allocation	159,608
Supplementary Academic Instruction	158,819
Charter School Capital Outlay	152,944
Student Transportation	120,785
Instructional Materials	63,067
FL Best & Brightest	40,890
Reading Allocation	36,912
Safe Schools	18,905
Digital Classrooms	15,215
Teachers Classroom Supply Program	11,610
Discretionary Lottery	1,527
Total State Revenue	\$ 6,262,941

The District receives an administrative fee from the School for the first 250 FTE which totaled \$90,182.

11. 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 I Facility: The Museum entered into a 20 year lease for an educational facility starting August 10, 2017 through August 1, 2037 for the School’s primary school grades. The lease contains required monthly minimum lease payment as of that date and thereafter, the minimum required lease payment increases annually at a minimum of 2 percent and a maximum of 3 percent based the Consumer Price Index. The lease is reviewed annually and additional annual rent of \$1,150 per year per student in excess of 589 students added to the rent. The lease requires the Museum to pay all expenses for insurance, taxes, utilities, maintenance and repair of the facility. The landlord will provide a rent credit of 85% of the rent collected from another business which occupies a portion of the premises. Rental expenses for under this lease were \$634,856 and rental credit received was \$57,552 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

PALM BEACH MARITIME ACADEMY

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

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NOTES TO FINANCIAL STATEMENTS

June 30, 2018

Museum expects the monthly lease payments will be passed through and paid by the School.

Lantana II Facility: The Museum entered into a 20 year lease for an educational facility starting August 1, 2017 through August 1, 2037 for the School’s middle school. The lease contains required monthly minimum lease payment as of that date and thereafter, the minimum required lease payment increases annually at a minimum of 2 percent and a maximum of 3 percent based the Consumer Price Index. The lease is reviewed annually and additional annual rent of \$1,150 per year per student in excess of 475 students added to the rent. 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 \$529,027 for the year.

The Museum also operates a charter high school and subleases a portion of this facility to the high school. The amount of rent allocated to the high school was \$131,742.

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 estimated portion of future minimum rental payments required under the operating lease in excess of one year:

Fiscal Year		
Ending June 30:	Lantana I	Lantana II
2019	\$ 683,400	\$ 708,746
2020	697,068	722,921
2021	711,009	737,379
2022	725,230	752,127
2023	739,734	767,169
2024-2028	3,926,598	4,072,228
2029-2033	4,335,282	4,496,069
2034-2037	3,790,917	3,931,514
Total	<u>\$ 15,609,238</u>	<u>\$ 16,188,153</u>

12. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

13. 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, 2018, 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.

14. 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 AND MAJOR SPECIAL REVENUE FUND (UNAUDITED)
For the Fiscal Year Ended June 30, 2018

	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)
Revenues:								
Intergovernmental:								
Federal Through Local	\$ -	\$ -	\$ -	\$ -	\$ 368,633	\$ 357,867	\$ 357,867	\$ -
State Sources	5,720,944	6,109,997	6,109,997	-	-	-	-	-
Local and Other	468,688	385,399	385,399	-	-	-	-	-
Total Revenues	<u>6,189,632</u>	<u>6,495,396</u>	<u>6,495,396</u>	<u>-</u>	<u>368,633</u>	<u>357,867</u>	<u>357,867</u>	<u>-</u>
Expenditures:								
Current - Education:								
Instruction	3,099,967	3,012,700	3,012,700	-	368,633	357,867	357,867	-
Student Support Services	208,948	227,458	227,458	-	-	-	-	-
Board of Education	136,586	67,335	67,335	-	-	-	-	-
General Administration	8,404	2,539	2,539	-	-	-	-	-
School Administration	815,112	733,514	733,514	-	-	-	-	-
Facilities Acquisition & Construction	352,559	562,124	562,124	-	-	-	-	-
Fiscal Services	137,035	223,514	223,514	-	-	-	-	-
Food Services	16,004	21,480	21,480	-	-	-	-	-
Central Services	70,253	96,940	96,940	-	-	-	-	-
Student Transportation	311,630	431,813	431,813	-	-	-	-	-
Operation of Plant	743,578	855,230	855,230	-	-	-	-	-
Administrative Technology	108,546	89,520	89,520	-	-	-	-	-
Community Service	125,420	127,311	127,311	-	-	-	-	-
Fixed Capital Outlay:								
Other Capital Outlay		103,448	103,448	-	-	-	-	-
Total Expenditures	<u>6,134,042</u>	<u>6,563,698</u>	<u>6,563,698</u>	<u>-</u>	<u>368,633</u>	<u>357,867</u>	<u>357,867</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>55,590</u>	<u>(68,302)</u>	<u>(68,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses):								
Proceeds From Inception of Capital Leases		56,700	56,700	-		-	-	-
Transfers In/(Out)		(70,437)	(70,437)	-		-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(13,737)</u>	<u>(13,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>55,590</u>	<u>(82,039)</u>	<u>(82,039)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, July 1, 2017	698,293	698,293	698,293	-	-	-	-	-
Fund Balances, June 30, 2018	<u>\$ 753,883</u>	<u>\$ 616,254</u>	<u>\$ 616,254</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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, 2018

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:
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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, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 24, 2018.

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, professional style.

August 24, 2018
Tampa, Florida

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

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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, 2018, and have issued our report thereon dated August 24, 2018.

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 August 24, 2018, 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.

August 24, 2018
Tampa, Florida