

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.  
(A COMPONENT UNIT OF ESCAMBIA COUNTY  
SCHOOL DISTRICT)**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
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**JUNE 30, 2018**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors,  
Pensacola Beach Elementary School, Inc.:

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of Pensacola Beach Elementary School, Inc. (a component unit of the Escambia County School District), 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***

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

### ***Auditors' Responsibility***

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

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

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

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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of Pensacola Beach Elementary School, Inc. as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

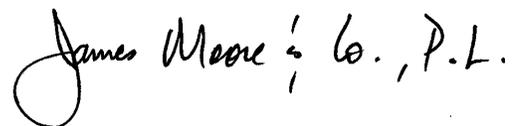
### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2018 on our consideration of Pensacola Beach Elementary School, Inc.'s internal control over financial reporting and 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 Pensacola Beach Elementary School, Inc.'s internal control over financial reporting and compliance.

James Moore & Co., P.L.

Tallahassee, Florida  
August 27, 2018

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

This discussion and analysis (MD&A) of the Pensacola Beach Elementary School, Inc.'s ("the School") financial condition provides an overview of financial activity, identifies changes in financial position and assists the reader in focusing on significant financial issues. The primary purpose of the School is to provide an educational program for approximately 135 students. It is important to the long-term existence of the School to maintain its financial health. Net position is accumulated only to the extent required to ensure that there are sufficient reserve funds for future operations and for new capital needs.

The MD&A provides summary level financial information; therefore, it should be read in conjunction with the accompanying financial statements.

**HIGHLIGHTS**

*Financial Highlights*

- Net position total \$2,192,711.
- General fund balance at June 30, 2018 totaled \$863,039.

*School Highlights*

During the 2017-2018 fiscal year, the School accomplished the following:

Pensacola Beach Elementary School, Inc. again was rated an "A" school by the State of Florida. In addition, the school maintained its "high-performing" charter status. The Parent Teacher Association ("PTA") with 100% participation from parent and staff won the "Local Unit of the Year" for Escambia County.

**USING THE ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the School as a whole and present a long-term view of the School's finances. The fund financial statements report the School's operations in more detail than the government-wide statements by providing information about the School's most significant funds.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**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 financial information about the governmental activities of the Primary Government 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, 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.

The government-wide statements present the School's activities in two categories:

- Governmental activities - This represents all of the School's services. Support functions such as transportation and administration are also included. State's education finance program provides most of the resources that support these activities.
- Component units - The School presents one separate legal entity in this report, Pensacola Beach Elementary School Building Foundation, Inc. Although a legally separate organization, the component unit is included in this report because it meets the criteria for inclusion provided by generally accepted accounting principles. Separately internally issued financial statements for this component unit are available at the School's administrative office.

Over a period of time, changes in the School's net position are an indication of improving or deteriorating financial condition. This information should be evaluated in conjunction with other non-financial factors, such as changes in the School's student enrollment and the condition of the School's capital assets including its school buildings and administrative facilities.

**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. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and prudent fiscal management. Certain funds are established by law while others are created by legal agreements. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant or "major" funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**FUND FINANCIAL STATEMENTS**  
**(Continued)**

All of the School's funds are classified within the following category:

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.

This 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 provided 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 fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide detailed information about the School's most significant funds, not the School as a whole. The School's major funds are the General Fund and Capital Projects Fund.

The School adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the General Fund.

**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.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, 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, 2018, as compared to June 30, 2017:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Increase (Decrease)</b>
<b>Assets</b>			
Current and other assets	\$ 910,320	\$ 913,405	\$ (3,085)
Capital assets, net	1,632,959	1,692,506	(59,547)
Total assets	<u>2,543,279</u>	<u>2,605,911</u>	<u>(62,632)</u>
<b>Deferred outflows</b>	<u>243,760</u>	<u>180,618</u>	<u>63,142</u>
<b>Liabilities</b>			
Current liabilities	40,887	47,451	(6,564)
Noncurrent liabilities	519,772	527,078	(7,306)
Total liabilities	<u>560,659</u>	<u>574,529</u>	<u>(13,870)</u>
<b>Deferred inflows</b>	<u>33,669</u>	<u>12,300</u>	<u>(19,480)</u>
<b>Net position</b>			
Net investment in capital assets	1,632,959	1,692,506	(59,547)
Unrestricted	559,752	508,715	51,037
Total net position	<u>2,192,711</u>	<u>2,201,221</u>	<u>(8,510)</u>
Total liabilities, deferred inflows, and net position	<u>\$ 2,787,039</u>	<u>\$ 2,788,050</u>	<u>\$ (41,860)</u>

For more detailed information, see the accompanying Statement of Net Position.

Current assets decreased by \$3,085. Cash maintained in Qualified Public Depositories at June 30, 2018 totaled \$584,988. Receivables of \$4,688, amount due from the foundation of \$342,256, and capital assets in the amount of \$1,632,959 comprise the majority of the remainder of assets.

Capital assets decreased \$59,547 primarily due to current year depreciation expense. See additional detail in the notes to the financial statements as indicated in the table of contents.

The current liability balances consist of accrued payables of \$4,064 and accrued salaries and benefits payable of \$36,823. The noncurrent liabilities consist of accrued leave of \$40,356, and net pension liability of \$479,416.

Net position after the thirteenth year of operation of the School total approximately \$2.2 million. Approximately 74% of net position is invested in capital assets and 26% of net position is unrestricted.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**  
**(Continued)**

Operating results for the year ended June 30, 2018 as compared to June 30, 2017, are as follows:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Increase (Decrease)</b>
<b>Revenues</b>			
General Revenues- Escambia County School District	\$ 964,246	\$ 1,081,389	\$ (117,143)
Program Revenues	186,212	133,168	53,044
Interest income	8,054	6,951	1,103
Total revenues	<u>\$ 1,158,512</u>	<u>\$ 1,221,508</u>	<u>\$ (62,996)</u>
<b>Expenditures</b>			
Basic Instruction	\$ 663,990	\$ 670,002	\$ (6,012)
Exceptional Instruction	4,729	7,280	(2,551)
Instructional and Curriculum	-	3,617	(3,617)
Instructional-related technology	40,760	37,465	3,295
Instructional Staff Training	1,748	339	1,409
General Administration	19,386	18,366	1,020
School Administration	182,176	189,189	(7,013)
Fiscal Services	31,611	34,299	(2,688)
Pupil Transportation Services	16,340	16,058	282
Operation of Plant	11,211	10,617	594
Maintenance of Plant	1,033	2,966	(1,933)
Facilities, Acquisition and Equipment	194,038	194,038	-
Total expenditures	<u>1,167,022</u>	<u>1,184,236</u>	<u>(17,214)</u>
Increase (decrease) in net position	(8,510)	37,272	(45,782)
Net position, beginning of year	2,201,221	2,163,949	37,272
Net position, end of year	<u>\$ 2,192,711</u>	<u>\$ 2,201,221</u>	<u>\$ (8,510)</u>

For more detailed information, see the accompanying Statement of Activities.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**  
**(Continued)**

FTE funding for student enrollment was \$898,090. The School received \$74,742 in Capital Projects funding from the State of Florida. The School received \$39,136 in general unrestricted donations. In addition, the School continued with a lease arrangement for use of buildings and facilities from the Pensacola Beach Elementary School Building Foundation, Inc. for \$6,000 per month. The Pensacola Beach Elementary School Building Foundation, Inc. has a lease agreement with the Santa Rosa Island Authority for \$1 per year. The fair market value of the lease was estimated at approximately \$140,400 a year. More information about the building lease is presented in the notes to the financial statements as indicated in the table of contents.

Governmental expenditures for the year ended June 30, 2018, totaled \$1,167,022.

The overall results were a \$8,510 decrease in net position for fiscal year 2018.

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

Major Governmental Funds

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the total fund balance was \$863,039. For fiscal year 2016-2017, the total fund balance was \$863,823. The fund balance decreased by \$784 in fiscal year 2017-2018. General fund expenses were consistent with current year revenues resulting in little change in fund balance.

The Capital Projects Fund had a total fund balance of \$6,394. This fund had a \$2,742 increase from the prior year. Capital projects fund expenses were consistent with current year revenues resulting in little change in fund balance.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2018**

**GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

**General fund** - The School passed an original and final budget for the fiscal year ending June 30, 2018. There were some factors that lead to the variances with actual revenues and expenditures as compared to the Board's original approved budget, resulting in an amended final budget. The final budget accounts for additional debt service payments made that were not anticipated at the time of the original budget.

**Capital projects fund**- The School passed an original budget for the fiscal year ending June 30, 2018. Differences between budgeted amounts and actual amounts were caused primarily due to Local Capital Improvement Revenues received from the State that were not anticipated at the time the budget was adopted. There were no amendments to the capital projects fund budget.

**CAPITAL ASSETS**

	<b>June 30, 2018</b>	<b>June 30, 2017</b>	<b>Change</b>
Leasehold improvements	\$ 2,137,957	\$ 2,137,957	\$ -
Equipment	199,355	196,701	2,654
Education software	30,545	30,545	-
Transportation	75,832	75,832	-
Total, prior to depreciation	2,443,689	2,441,035	2,654
Accumulated depreciation	(810,730)	(748,529)	(62,201)
Net capital assets	\$ 1,632,959	\$ 1,692,506	\$ (59,547)

More information about the School's capital assets is presented in the notes to the financial statements as indicated in the table of contents.

**FUTURE FINANCIAL FACTORS**

Pensacola Beach Elementary School, Inc. is a Charter school sponsored by the Escambia County School District. The initial Charter was granted for three years through fiscal year ending June 30, 2006. A renewal agreement has been signed with Escambia County School District through June 30, 2030.

Pensacola Beach Elementary School, Inc. is rated an "A" School and has received overwhelming positive public support. Donations and fundraising opportunities are also in the plans to assist the School's financial needs.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, parents and creditors with a general overview of the School's finances, and to demonstrate the School's accountability for the money it receives. If readers have any questions about this report or need additional financial information, contact Pensacola Beach Elementary School, Inc., 900 Via De Luna, Pensacola Beach, FL 32561.

## **BASIC FINANCIAL STATEMENTS**

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>	<b>Component Unit</b>
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ 67,848	\$ 2,589
Certificates of deposit	493,763	-
Grant and other receivables	4,688	-
Due from component unit	342,256	-
Prepaid items	1,765	22,104
Capital assets, being depreciated, net	1,632,959	775,364
<b>Total assets</b>	<b>\$ 2,543,279</b>	<b>\$ 800,057</b>
<b><u>DEFERRED OUTFLOWS</u></b>		
Related to changes in the net pension liability	\$ 243,760	\$ -
<b><u>LIABILITIES</u></b>		
Accounts payable	\$ 4,064	\$ 350
Due to primary government	-	342,256
Salaries and benefits payable	36,823	-
Net pension liability	479,416	-
Noncurrent liabilities:		
Due within one year	14,865	-
Due in more than one year	25,491	-
<b>Total liabilities</b>	<b>\$ 560,659</b>	<b>\$ 342,606</b>
<b><u>DEFERRED INFLOWS</u></b>		
Related to changes in the net pension liability	\$ 33,669	\$ -
<b><u>NET POSITION</u></b>		
Net investment in capital assets	\$ 1,632,959	\$ 775,364
Unrestricted	559,752	(317,913)
<b>Total net position</b>	<b>\$ 2,192,711</b>	<b>\$ 457,451</b>

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

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION		
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT
Primary government						
Governmental activities:						
Basic instruction	\$ 663,990	\$ -	\$ 39,445	\$ -	\$ (624,545)	
Exceptional instruction	4,729	-	-	-	(4,729)	
Instructional-related technology	40,760	-	-	-	(40,760)	
General administration	19,386	-	-	-	(19,386)	
School administration	182,176	-	-	-	(182,176)	
Fiscal services	31,611	-	-	-	(31,611)	
Instructional staff training services	1,748	-	-	-	(1,748)	
Pupil transportation services	16,340	-	-	-	(16,340)	
Operation of plant	11,211	-	-	-	(11,211)	
Maintenance of plant	1,033	-	-	-	(1,033)	
Facilities, acquisitions, and equipment	194,038	-	68,400	74,742	(50,896)	
Community service	-	-	3,625	-	3,625	
Total governmental activities	<u>\$ 1,167,022</u>	<u>\$ -</u>	<u>\$ 111,470</u>	<u>\$ 74,742</u>	<u>(980,810)</u>	
Component unit						
Pensacola Beach Elementary School Building Foundation, Inc.	<u>\$ 194,992</u>	<u>\$ 72,000</u>	<u>\$ 68,400</u>	<u>\$ -</u>		<u>\$ (54,592)</u>
General revenues:						
Escambia County School District					898,090	
Contributions not restricted					56,262	-
Miscellaneous revenues					9,894	
Investment earnings					8,054	-
Total general revenues					<u>972,300</u>	<u>-</u>
Change in net position					<u>(8,510)</u>	<u>(54,592)</u>
<b>Net position, beginning of year</b>					2,201,221	512,043
<b>Net position, end of year</b>					<u>\$ 2,192,711</u>	<u>\$ 457,451</u>

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

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 67,848	\$ -	\$ 67,848
Certificates of deposit	493,763	-	493,763
Grant and other receivables	2,901	1,787	4,688
Due from general fund	-	4,607	4,607
Component unit receivable	342,256	-	342,256
Prepaid items	1,765	-	1,765
<b>Total Assets</b>	<b>\$ 908,533</b>	<b>\$ 6,394</b>	<b>\$ 914,927</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 4,064	\$ -	\$ 4,064
Due to capital projects funds	4,607	-	4,607
Salaries and benefits payable	36,823	-	36,823
Total liabilities	45,494	-	45,494
Fund Balances:			
Nonspendable:			
Prepaid items	1,765	-	1,765
Restricted			
Capital outlay	-	6,394	6,394
Unassigned	861,274	-	861,274
Total fund balances	863,039	6,394	869,433
<b>Total Liabilities and Fund Balances</b>	<b>\$ 908,533</b>	<b>\$ 6,394</b>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		1,632,959
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Line of credit	-	
Compensated absences	36,823	(40,356)
Net pension liability and related deferred inflows/outflows are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liability	(479,416)	
Deferred outflows	243,760	
Deferred inflows	(33,669)	(269,325)
Net position of governmental activities	\$ 2,192,711	

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

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>			
Intergovernmental			
State through local	\$ 933,601	\$ 74,742	\$ 1,008,343
Federal through State	3,234	-	3,234
Local	70,481	-	70,481
Interest income	8,054	-	8,054
Total revenues	<u>1,015,370</u>	<u>74,742</u>	<u>1,090,112</u>
<b>Expenditures</b>			
Basic instruction	617,984	-	617,984
Exceptional instruction	4,729	-	4,729
Instructional-related technology	40,801	-	40,801
General administration	15,661	-	15,661
School administration	180,751	-	180,751
Fiscal services	31,611	-	31,611
Pupil transportation services	16,340	-	16,340
Operation of plant	11,211	-	11,211
Maintenance of plant	1,033	-	1,033
Facilities, acquisitions, and equipment	-	72,000	72,000
Capital outlay	1,425	-	1,425
Instructional staff training services	1,748	-	1,748
Debt service:			
Principal	89,135	-	89,135
Interest	3,725	-	3,725
Total expenditures	<u>1,016,154</u>	<u>72,000</u>	<u>1,088,154</u>
<b>Net change in fund balances</b>	<u>(784)</u>	<u>2,742</u>	<u>1,958</u>
<b>Fund balances, beginning of year</b>	863,823	3,652	867,475
<b>Fund balances, end of year</b>	<u>\$ 863,039</u>	<u>\$ 6,394</u>	<u>\$ 869,433</u>

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

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.  
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances-total governmental funds	\$	1,958
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation	(62,201)	
Capital outlays	<u>2,654</u>	(59,547)

The issuance of debt provides current financial resources to governmental funds while repayment of principal consumes the current financial resources of government funds. Neither transaction, however, has any affect on net position. This amount is the net affect of these differences.

Payments on principal portion of debt		89,135
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Compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

(4,800)

Some revenues and expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues and expenditures in governmental funds.

Changes in:

Net pension liability	(77,029)	
Deferred outflows related to net pension liability	63,142	
Deferred inflows related to net pension liability	<u>(21,369)</u>	(35,256)

Change in net position of governmental activities	<u>\$</u>	<u>(8,510)</u>
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The accompanying notes to financial statements  
are an integral part of this statement.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**(1) Summary of Significant Accounting Policies:**

The following is a summary of the more significant accounting policies of Pensacola Beach Elementary School, Inc. (the "School"), which affect significant elements of the accompanying basic financial statements:

**A. Reporting entity**

Pensacola Beach Elementary School, Inc. was created on July 1, 2002, to operate as a charter school under Florida Statutes. The school entered into a contract with Escambia County District School Board ("District") to provide an educational program for elementary public school students. The School receives a majority of its funding through the District based on a formula of student attendance which is identical to that of other Escambia County, Florida public schools. The current charter is effective until June 30, 2030 and may be renewed in annual increments up to fifteen years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pensacola Beach Elementary School, Inc. is considered a component unit of the Escambia County District School Board.

The School has engaged a professional service organization to provide assistance in various purchasing and financial services including the design and implementation of internal control. The organization assists in the preparation of budgets, cash flow analyses, monthly financial statements, and required reporting for the Escambia County School District, State Board of Education and various Federal agencies. The organization also manages cash and fixed assets.

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 by the Governmental Accounting Standards Board (GASB). 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 the application of these criteria, the following discreetly presented component unit is included within the School's reporting entity:

Pensacola Beach Elementary School Building Foundation, Inc. (the "Foundation") was organized under the laws of the State of Florida on August 12, 2002. The Foundation was incorporated as a nonprofit corporation under state law. The Foundation was organized exclusively for educational and charitable purposes and to build, equip, support, maintain, staff, and operate a not for profit charter school facility at Pensacola Beach Elementary School. Based upon its formation purpose, the Foundation was determined to be a component unit of the School and is presented using discrete presentation within the government-wide financial statements.

Complete financial statements of the component unit can be obtained directly from the professional service organization that manages the Foundation's accounting records listed below:

School Financial Services, Inc.  
116 W. Pennsylvania Avenue  
Bonifay, FL 32425

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

**B. Description of government wide financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by intergovernmental revenues, and other nonexchange transactions.

**C. Basis of presentation – government wide financial statements**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include operating grants and contributions. Items not properly included among program revenues, such as monies received from the Escambia County District School Board, are reported as general revenues.

The Pensacola Beach Elementary School Building Foundation, Inc., shown as a discretely presented component unit, uses the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized when incurred.

**D. Basis of presentation – fund financial statements**

The fund financial statements provide information about the government's funds. Separate statement for the fund category, governmental, is presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Major individual governmental funds are reported as separate columns in the fund financial statements.

The School uses the following governmental funds:

**General Fund**—The general fund is used to record the general operations of the School pertaining to education and those operations not provided for in other funds.

**Capital Projects Fund**—The capital projects fund is used to account for financial resources to be used for educational capital outlay needs, including new construction, renovation and remodeling projects, major maintenance projects and the purchase of vehicles to transport students to and from the School.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

**E. Measurement focus and basis of accounting**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows. Amounts reported as program revenues include charges for services, operating grants and contributions, and capital grants and contributions. Items not properly included among program revenues, such as monies received from the Escambia County School Board, are reported as general revenues.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

All governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, state, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. The principal exceptions to this are: principal and interest on general long-term debt, which are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

**F. Budgetary data**

The budgetary process is prescribed by provisions of the laws of Florida and requires the governing board to adopt an operating budget each year. The School's governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption.

**G. Cash and cash equivalents**

Cash and cash equivalents include amounts in demand deposits as well as investments that are readily convertible to known amounts of cash. Investments with original maturities of three months or less are considered to be cash equivalents.

**H. Income taxes**

The School and the Foundation are exempt from the payment of income taxes on its exempt activities under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

The School and the Foundation file income tax returns in the U.S. Federal jurisdiction. The School and the Foundation's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

The School and the Foundation have reviewed and evaluated the relevant technical merits of each of its tax positions in accordance with accounting principles generally accepted in the United States of America for accounting for uncertainty in income taxes, and determined that there are no uncertain tax positions that would have a material impact on the financial statements of the School.

**I. Capital assets**

Capital assets are defined by the School as assets with an initial individual cost of \$1,000 or more and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	39
Furniture, fixtures and equipment	5
Transportation	5
Education software	3

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

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

K. **Deferred outflows/inflows of resources**— In addition to assets and liabilities, the statement of financial position will, if required, report a separate section for deferred outflows of resources and deferred inflows of resources, respectfully. These separate financial statement elements, deferred outflows/inflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow/inflow of resources (expense/expenditure or revenue) until then. Currently, the only item in this category consisted of deferred amounts related to pension, as discussed further in Note (10 b).

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

M. **Use of estimates**—The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

N. **Fund Balance**— The School follows GASB Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions”, which provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a school’s fund balance more transparent. The following classifications describe the relative strength of the spending constraints:

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

Restricted fund balance—includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance—includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the School’s Board of Directors.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:** (Continued)

N. **Fund Balance**— (Continued)

These amounts cannot be used for any other purpose unless the School’s Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance—includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School’s Board of Directors or through the School’s Board of Directors delegating this responsibility to the Principal through the budgetary process.

Unassigned fund balance—includes the residual fund balances for the General fund.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

(2) **Capital Assets:**

Capital asset activity for the year ended June 30, 2018, was as follows:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
Primary Government:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 2,137,957	\$ -	\$ -	\$ 2,137,957
Furniture, fixtures and equipment	196,701	2,654	-	199,355
Education software	30,545	-	-	30,545
Transportation	75,832	-	-	75,832
Total capital assets, being depreciated	<u>2,441,035</u>	<u>2,654</u>	<u>-</u>	<u>2,443,689</u>
Less accumulated depreciation:				
Leasehold improvements	(464,241)	(53,638)	-	(517,879)
Furniture, fixtures and equipment	(177,911)	(8,563)	-	(186,474)
Education software	(30,545)	-	-	(30,545)
Transportation	(75,832)	-	-	(75,832)
Total accumulated depreciation	<u>(748,529)</u>	<u>(62,201)</u>	<u>-</u>	<u>(810,730)</u>
Total capital assets, being depreciated, net	1,692,506	(59,547)	-	1,632,959
Capital assets, net	<u>\$ 1,692,506</u>	<u>\$(59,547)</u>	<u>\$ -</u>	<u>\$ 1,632,959</u>

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(2) **Capital Assets:** (Continued)

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
Component Unit:				
Capital assets, being depreciated:				
Leasehold improvements	\$ 1,155,909	\$ -	\$ -	\$ 1,155,909
Less accumulated depreciation	<u>(350,906)</u>	<u>(29,639)</u>	<u>-</u>	<u>(380,545)</u>
Capital assets, net	<u>805,003</u>	<u>(29,639)</u>	<u>-</u>	<u>775,364</u>

Capital assets are used by multiple functions within the School and depreciation expense was charged to governmental functions as follows:

Basic instruction	\$ 8,563
Equipment	<u>53,638</u>
	<u>\$ 62,201</u>

(3) **Long-Term Debt:**

Long-term liability activity for the year ended June 30, 2018, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due within</u> <u>one year</u>
Governmental activities:					
Line of credit	\$ 89,135	\$ -	\$ 89,135	\$ -	\$ -
Compensated absences	<u>35,556</u>	<u>16,046</u>	<u>11,246</u>	<u>40,356</u>	<u>14,865</u>
	<u>\$ 124,691</u>	<u>\$ 16,046</u>	<u>\$ 100,381</u>	<u>\$ 40,356</u>	<u>\$ 14,865</u>

(4) **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. At year end, the carrying amount of the School's deposits was \$561,611 and the bank balance was \$584,988. Of the bank balance, \$584,988 was covered by Federal depository insurance or by collateral held by the School's custodial bank which is pledged to a state trust fund that provides security for amounts held in excess of FDIC coverage in accordance with the Florida Security for Deposits Act Chapter 280, Florida Statutes. The Florida Security for Public Deposits Act established guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral.

(5) **Significant Funding Source:**

The School receives a substantial amount of its funding from the Escambia County District School Board. A significant reduction in the level of this funding, if this were to occur, could have an adverse effect on the School's programs and activities.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(6) **Operating Lease:**

The School is located on approximately 5 acres of land on Santa Rosa Island, Escambia County, Florida.

The leasehold property, which includes all land and buildings, is leased by the Santa Rosa Island Authority to the Pensacola Beach Elementary School Building Foundation, Inc. for an annual lease fee in the amount of one dollar (\$1) for the purpose of placing, maintaining, and operating an elementary school between the School Board of Escambia County and the Charter School - Pensacola Beach Elementary School, Inc. The lease extends for a period of thirty years from July 1, 2002 to June 30, 2032. The Pensacola Beach Elementary School Building Foundation, Inc. subleases the leasehold property to the School for the same period of time. Lease payments totaled \$72,000 for the year ended June 30, 2018. The Foundation incurs the costs for the School's utilities, maintenance and insurance. The fair market value of the use of the building and facilities is estimated to be approximately \$140,400 for the year ended June 30, 2018. Accordingly, the School has recorded \$68,400 in donated revenues and a corresponding amount to facilities expense for the year ended June 30, 2018, which is equal to the difference between actual lease payments made and the estimated fair market value of the facility use. Minimum future rental payments under this non-cancelable operating lease are:

<u>Year</u>	<u>Amount</u>
2019	\$ 72,000
2020	72,000
2021	72,000
2022	72,000
2023	72,000
2024 – 2028	360,000
2029 – 2033	288,000
Total minimum future rental payments	<u>\$ 1,008,000</u>

(7) **Interfund Balances:**

The composition of interfund balances as of June 30, 2018, is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amount</u>
Capital Projects Fund	General Fund	<u>\$ 4,607</u>

Interfund loans were used rather than maintaining separate cash accounts for each fund or a pooled cash system

(8) **Line of Credit:**

The School has established a \$250,000 line of credit bearing interest at 4.25% and is collateralized by certificate of deposit. This line of credit is available to draw upon at the lender's discretion to provide funding for operations. As of June 30, 2018 the balance of the line of credit was \$0.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(9) **Risk Management:**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance.

(10) **Florida Retirement System:**

(a) **General Information about the Pension Plan**— Pensacola Beach Elementary School (The “School”) participates in the Florida Retirement System (FRS), a multiple-employer, cost sharing defined public employee retirement system which covers all of the School’s full-time employees. The System is a noncontributory retirement plan, administered by the State of Florida, Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. The FRS is a single retirement system administered by the Department of Management Services, Division of Retirement, and consists of two cost-sharing, multiple-employer retirement plans and other nonintegrated programs. These include a defined-benefit pension plan (Plan), with a Deferred Retirement Option Program (DROP), and a defined-contribution plan, referred to as the FRS Investment Plan (Investment Plan).

In addition, all regular employees of the School are eligible to enroll as members of the Retiree Health Insurance Subsidy (HIS) Program. The HIS is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

**Plan Description and Administration**

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of both Plans may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date.

The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years’ earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years’ earnings.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(10) **Florida Retirement System**: (Continued)

(a) **General Information about the Pension Plan**: (Continued)

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest.

Employees may elect to participate in the Investment Plan in lieu of the FRS defined-benefit plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. The Investment Plan is funded by employer and employee contributions that are based on salary and membership class (Regular, DROP, etc.). Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Employees in the Investment Plan vest at one year of service.

**Financial Statements**

Financial statements and other supplementary information of the FRS are included in the State's Comprehensive Annual Financial Report, which is available from the Florida Department of Financial Services, Bureau of Financial Reporting Statewide Financial Reporting Section by mail at 200 E. Gaines Street, Tallahassee, Florida 32399-0364; by telephone at (850) 413-5511; or at the Department's Web site ([www.myfloridacfo.com](http://www.myfloridacfo.com)). An annual report on the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from:

Florida Department of Management Services  
Division of Retirement, Research and Education Services  
P.O. Box 9000  
Tallahassee, FL 32315-9000  
850-488-5706 or toll free at 877-377-1737

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(10) **Florida Retirement System:** (Continued)

(a) **General Information about the Pension Plan:** (Continued)

**Contributions**

The School participates in certain classes of FRS membership. Each class has descriptions and contribution rates in effect at June 30, 2017, as follows (contribution rates are in agreement with the actuarially determined rates):

<u>FRS Membership Plan &amp; Class</u>	<u>Employee Contribution Rate</u>	<u>Employer Contribution Rate</u>
Regular Class	3.00%	7.92%
Senior Management	3.00%	22.71
Special Risk	3.00%	23.27
DROP – Applicable to members above	0.00%	13.26%

Current-year employer HIS contributions were made at a rate of 1.66% of covered payroll.

Actual contributions made for School employees participating in FRS and HIS for the each of last three fiscal years ended June 30 were as follows:

	<u>2018</u>	<u>2017</u>	<u>2016</u>
School Contributions – FRS	\$ 34,869	\$ 33,236	\$ 27,423
School Contributions – HIS	9,247	9,418	8,129
Employee Contributions – FRS	16,711	17,020	14,961

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(10) **Florida Retirement System**: (Continued)

**(b) Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions**

At June 30, 2018, the School reported a liability of \$479,416 for its proportionate share of the net pension liability, \$289,099 related to FRS and \$190,317 to HIS. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental entities, as actuarially determined. At June 30, 2018 and 2017, the School's FRS proportion was 0.000977367676179348% and 0.00086142620609597% respectively. At June 30, 2018 and 2017, the School's HIS proportion was 0.0017799129476844% and 0.00158629502165907%, respectively. For the year ended June 30, 2018, the School recognized pension expense of \$52,080 from FRS and \$19,501 from HIS, for a grand total of \$71,581.

*Deferred outflows/inflows related to pensions:*

At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,532	\$ (1,601)	\$ -	\$ (396)
Changes of assumptions	97,158	-	26,752	(16,457)
Net different between projected and actual investment earnings	-	(7,165)	106	-
Change in School's proportionate share	23,595	(7,349)	25,500	(701)
Contributions subsequent to measurement date	34,870	-	9,247	-
	<u>\$ 182,155</u>	<u>\$ (16,115)</u>	<u>\$ 61,605</u>	<u>\$ (17,554)</u>

The above amounts for deferred outflows of resources for contributions related to pensions resulting from School contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions being amortized for a period of greater than one year will be recognized in pension expense in succeeding years as follows:

Year	Amount
2019	\$ 27,074
2020	51,923
2021	39,377
2022	13,604
2023	25,039
Thereafter	8,957
Total	<u>\$ 165,974</u>

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(10) **Florida Retirement System**: (Continued)

(b) **Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (Continued)

*Actuarial assumptions.* The Actuarial assumptions for both defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because HIS is funded on a pay-as-you-go basis, no experience study has been completed.

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation, using the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine was used to determine the total pension for the program. This rate increased from the prior year rate, which was 2.85%. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

*Long-Term Expected Rate of Return.* To develop an analytical basis for the selection of the long-term expected rate of return assumption, in October 2017, the FRS Actuarial Assumptions conference reviewed long-term assumptions developed by both Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults to the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Arithmetic Expected Rate of Return</u>
Cash	1.0%	3.0%
Fixed income	18.0%	4.5%
Global equities	53.0%	7.8%
Real estate	10.0%	6.6%
Private equity	6.0%	11.5%
Strategic investments	12.0%	6.1%
Total	<u>100.0%</u>	

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

(10) **Florida Retirement System:** (Continued)

(b) **Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions** (Continued)

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate shares of the FRS and HIS net pension liability of the School calculated using the current discount rates, as well as what the School's net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate:

<b>Plan</b>	<b>Current Discount Rate</b>	<b>NPL with 1% Decrease</b>	<b>NPL at Current Discount Rate</b>	<b>NPL with 1% Increase</b>
FRS	7.10%	\$ 523,251	\$ 289,099	\$ 94,699
HIS	3.58%	217,716	190,317	167,944

(11) **Subsequent Events:**

Pensacola Beach Elementary School, Inc. has evaluated events and transactions for potential recognition or disclosure in the financial statements through August 27, 2018 the date which the financial statements were available to be issued. No subsequent events have been recognized or disclosed.

(12) **Contingent Liabilities**

The School is currently involved in a litigation claim arising from operations of the School. It is the opinion of management that such litigation will not have a material financial impact on the financial statements to the School, therefore no liability related to litigation has been accrued in the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION**

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET TO ACTUAL - GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
State through local	\$ 932,736	\$ 933,601	\$ 933,601	\$ -
Federal through State	-	3,234	3,234	-
Local	59,000	70,481	70,481	-
Interest income	6,650	8,054	8,054	-
Total revenues	<u>998,386</u>	<u>1,015,370</u>	<u>1,015,370</u>	<u>-</u>
<b>Expenditures</b>				
Basic instruction	621,707	617,984	617,984	-
Exceptional instruction	8,008	4,729	4,729	-
Instructional-related technology	40,632	40,801	40,801	-
General administration	18,883	15,661	15,661	-
School administration	190,754	180,751	180,751	-
Fiscal services	31,002	31,611	31,611	-
Pupil transportation services	14,655	16,340	16,340	-
Operation of plant	9,378	11,211	11,211	-
Maintenance of plant	2,702	1,033	1,033	-
Capital outlay	3,655	1,425	1,425	-
Instructional staff training services	4,500	1,748	1,748	-
Debt service:				
Principal	44,275	89,135	89,135	-
Interest	3,725	3,725	3,725	-
Total expenditures	<u>993,876</u>	<u>1,016,154</u>	<u>1,016,154</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>4,510</u>	<u>(784)</u>	<u>(784)</u>	<u>-</u>
<b>Fund balances, beginning of year,</b>	863,823	863,823	863,823	-
<b>Fund balances, end of year</b>	<u>\$ 868,333</u>	<u>\$ 863,039</u>	<u>\$ 863,039</u>	<u>\$ -</u>

The accompanying notes to required supplementary information is an integral part of this statement.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET TO ACTUAL - CAPITAL PROJECTS FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Intergovernmental				
State through local	\$ 25,668	\$ 74,742	\$ 74,742	\$ -
<b>Expenditures</b>				
Facilities, acquisitions, and equipment	72,000	72,000	72,000	-
<b>Net change in fund balances</b>	(46,332)	2,742	2,742	-
<b>Fund balances, beginning of year,</b>	3,652	3,652	3,652	-
<b>Fund balances, end of year</b>	<u>\$ (42,680)</u>	<u>\$ 6,394</u>	<u>\$ 6,394</u>	<u>\$ -</u>

The accompanying notes to required supplementary information is an integral part of this statement.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE YEAR ENDED JUNE 30, 2018**

(1) **Summary of Significant Accounting Policies:**

The Statements of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual are presented using the School’s budget format for all major governmental funds.

(2) **Budgetary Basis of Accounting:**

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the entire operations at the combined governmental level and may be amended by the Board of Directors (the “Board”). The budget presented for fiscal year ended June 30, 2018, has been amended.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**LAST 10 FISCAL YEAR AS OF JUNE 30**

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
<b>Florida Retirement System (FRS)</b>				
Proportion of the net pension liability (asset)	0.000977368%	0.000861426%	0.000937315%	0.000855930%
Proportionate share of the net pension liability (asset)	\$ 289,099	\$ 289,099	\$ 121,067	\$ 289,099
Covered-employee payroll	567,344	489,699	484,412	449,623
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	50.96%	59.04%	24.99%	64.30%
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%
<b>Health Insurance Subsidy Program (HIS)</b>				
Proportion of the net pension liability (asset)	0.001779913%	0.001586295%	0.001596626%	0.001513305%
Proportionate share of the net pension liability (asset)	\$ 190,317	\$ 190,317	\$ 162,831	\$ 190,317
Covered-employee payroll	567,344	489,699	484,412	449,623
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	33.55%	38.86%	33.61%	42.33%
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes are an integral  
part of this schedule.

**PENSACOLA BEACH ELEMENTARY SCHOOL, INC.**  
**SCHEDULE OF CONTRIBUTIONS**  
**LAST 10 FISCAL YEAR AS OF JUNE 30**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b><u>Florida Retirement System (FRS)</u></b>					
Contractually required contribution	\$ 34,869	\$ 33,236	\$ 27,423	\$ 28,433	\$ 31,136
Contributions in relation to the contractually required contribution	(34,869)	(33,236)	(27,423)	(28,433)	(31,136)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 557,022	\$ 567,344	\$ 489,699	\$ 484,412	\$ 449,623
Contributions as a percentage of covered-employee payroll	6.26%	5.86%	5.60%	5.87%	6.92%
<b><u>Health Insurance Subsidy Program (HIS)</u></b>					
Contractually required contribution	9,247	\$ 9,418	\$ 8,129	\$ 7,266	\$ 6,498
Contributions in relation to the contractually required contribution	(9,247)	(9,418)	(8,129)	(7,266)	(6,498)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 557,022	\$ 567,344	\$ 489,699	\$ 484,412	\$ 449,623
Contributions as a percentage of covered-employee payroll	1.66%	1.66%	1.66%	1.50%	1.45%

Note 1: GASB 68 requires information for 10 years. However, until a full 10-year trend is compiled, the school will present information for only those years for which information is available.

The accompanying notes are an integral  
part of this schedule.

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

To the Board of Directors,  
Pensacola Beach Elementary School, Inc.:

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, the discretely presented component unit, and each major fund of Pensacola Beach Elementary School, Inc. as of and for the year ended June 30, 2018, and related notes to the financial statements which collectively comprise Pensacola Beach Elementary School, Inc.'s basic financial statements and have issued our report thereon dated August 27, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Pensacola Beach Elementary School, Inc.'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 Pensacola Beach Elementary School, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Pensacola Beach Elementary School, Inc.'s internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

James Moore & Co., P.L.

Tallahassee, Florida  
August 27, 2018

**MANAGEMENT LETTER OF INDEPENDENT AUDITORS  
REQUIRED BY CHAPTER 10.850, RULES OF THE STATE OF FLORIDA, OFFICE OF THE  
AUDITOR GENERAL**

To the Board of Directors,  
Pensacola Beach Elementary School, Inc.:

**Report on the Financial Statements**

We have audited the financial statements of Pensacola Beach Elementary School, Inc., a component unit of the Escambia County School District, as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated August 27, 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 Reporting Requirements**

We have issued our Independent Auditors' 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 that report, which is dated August 27, 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 findings and recommendations made in the preceding annual financial audit report.

**Official Title**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Pensacola Beach Elementary School, Inc.

## **Financial Condition and Management**

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures to communicate whether or not Pensacola Beach Elementary School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Pensacola Beach Elementary School, Inc. 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, require that we apply financial condition assessment procedures for Pensacola Beach Elementary School, Inc.. It is management's responsibility to monitor Pensacola Beach Elementary School, Inc.'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.

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

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether Pensacola Beach Elementary School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Pensacola Beach Elementary School, Inc. did maintain all of the required information on its website as specified in Section 1002.33(9)(p), Florida Statutes.

## **Additional Matters**

Section 10.854(1)(e)4., Rules of the Auditor General, requires that us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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, Escambia County District School Board, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

James Moore & Co., P.L.

Tallahassee, Florida  
August 27, 2018