

NORTH COUNTY CHARTER SCHOOL, INC.

**Basic Financial Statements
with
Independent Auditors' Report**

Year ended June 30, 2020

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North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Net Position

June 30, 2020

| | Governmental Activities | Business-type Activities | Total |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| Assets | | | |
| Cash | \$ 3,125,888 | \$ - | \$ 3,125,888 |
| Due from local sources | 175,818 | - | 175,818 |
| Capital assets, net | 5,652,814 | - | 5,652,814 |
| Total Assets | \$ 8,954,520 | \$ - | \$ 8,954,520 |
| Liabilities | | | |
| Long-term liabilities: | | | |
| Due within one year | | | |
| Mortgage payable | 238,856 | - | 238,856 |
| Obligation under capital lease | 6,213 | - | 6,213 |
| Due in more than one year | | | |
| Mortgage payable | 1,964,040 | - | 1,964,040 |
| Obligation under capital lease | 532 | - | 532 |
| Total Liabilities | 2,209,641 | - | 2,209,641 |
| Net Position | | | |
| Net investment in capital assets | 3,443,173 | - | 3,443,173 |
| Unrestricted, reported in: | | | |
| Governmental activities | 3,301,706 | - | 3,301,706 |
| Total Net Position | \$ 6,744,879 | \$ - | \$ 6,744,879 |

See accompanying notes to the basic financial statements.

North County Charter School, Inc.

**A Charter School and Component Unit of the
Indian River County District School Board
Statement of Activities**

Year ended June 30, 2020

| Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | |
|---|------------------------------------|----------------------------------|-------------------------|---|-----------------------|
| | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Functions/Programs | | | | | |
| Governmental activities: | | | | | |
| Instruction | \$ 1,578,128 | \$ 67,718 | \$ (1,403,216) | \$ - | \$ (1,403,216) |
| Instructional staff training | 1,134 | - | (1,134) | - | (1,134) |
| Board | 14,076 | - | (14,076) | - | (14,076) |
| School administration | 395,897 | - | (395,897) | - | (395,897) |
| Facilities acquisition and construction | 3,669 | - | 174,701 | - | 174,701 |
| Fiscal services | 14,710 | - | (14,710) | - | (14,710) |
| Food services | 166,622 | 2,423 | (7,351) | - | (7,351) |
| Transportation | 33,843 | - | (33,843) | - | (33,843) |
| Operation of plant | 218,698 | - | (218,698) | - | (218,698) |
| Maintenance of plant | 10,616 | - | (10,616) | - | (10,616) |
| Interest on long-term debt | 89,142 | - | (89,142) | - | (89,142) |
| Depreciation - unallocated * | 124,272 | - | (124,272) | - | (124,272) |
| Total Governmental Activities | \$ 2,650,807 | \$ 70,141 | \$ (2,138,254) | - | \$ (2,138,254) |
| General Revenues: | | | | | |
| Local revenue: | | | | | |
| Florida Education Finance Program | | | 2,323,128 | - | 2,323,128 |
| Class size funds | | | 449,805 | - | 449,805 |
| Instructional materials | | | 26,535 | - | 26,535 |
| Lottery | | | 356 | - | 356 |
| Teachers lead program | | | 5,404 | - | 5,404 |
| Idea funds | | | 40,182 | - | 40,182 |
| Gifts, grants and bequests | | | 66,402 | - | 66,402 |
| Interest earned | | | 39,275 | - | 39,275 |
| Total General Revenues | | | 2,951,087 | - | 2,951,087 |
| Change in Net Position | | | 812,833 | - | 812,833 |
| Net Position, beginning | | | 5,932,046 | - | 5,932,046 |
| Net Position, ending | | | \$ 6,744,879 | \$ - | \$ 6,744,879 |

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Balance Sheet - Governmental Funds

June 30, 2020

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 3,125,888 | \$ - | \$ - | \$ 3,125,888 |
| Due from local sources | 21,772 | - | - | 21,772 |
| Total Assets | \$ 3,147,660 | \$ - | \$ - | \$ 3,147,660 |
| Liabilities and Fund Balances | | | | |
| Liabilities | \$ - | \$ - | \$ - | \$ - |
| Total Liabilities | - | - | - | - |
| Fund balances: | | | | |
| Unassigned | 3,147,660 | - | - | 3,147,660 |
| Total Liabilities and Fund Balances | \$ 3,147,660 | \$ - | \$ - | \$ 3,147,660 |
| Total fund balances | | | | \$ 3,147,660 |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | | | | 5,652,814 |
| Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds. | | | | (2,209,641) |
| Due from Local Sources that are not available to pay for current period expenditures and therefore, are not reported as assets in the governmental funds. | | | | 154,046 |
| Net position of governmental activities | | | | <u>\$ 6,744,879</u> |

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds

Year ended June 30, 2020

| | General Fund | Capital Projects Fund | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|-----------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal through local | \$ - | \$ 178,370 | \$ 40,182 | \$ 218,552 |
| Local | 3,137,547 | - | 159,271 | 3,296,818 |
| Interest | 39,275 | - | - | 39,275 |
| Total Revenues | 3,176,822 | 178,370 | 199,453 | 3,554,645 |
| Expenditures | | | | |
| Current - Education: | | | | |
| Instruction | 1,515,369 | - | 40,182 | 1,555,551 |
| Instructional staff training | 1,134 | - | - | 1,134 |
| Board | 14,076 | - | - | 14,076 |
| School administration | 392,387 | - | - | 392,387 |
| Facilities acquisition and construction | 3,669 | - | - | 3,669 |
| Fiscal services | 14,710 | - | - | 14,710 |
| Food services | - | - | 161,393 | 161,393 |
| Transportation | 33,843 | - | - | 33,843 |
| Operation of plant | 218,698 | - | - | 218,698 |
| Maintenance of plant | 10,616 | - | - | 10,616 |
| Debt service | 323,340 | - | - | 323,340 |
| Fixed Capital Outlay: | | | | |
| Facilities acquisition and construction | - | 499,983 | - | 499,983 |
| Total Expenditures | 2,527,842 | 499,983 | 201,575 | 3,229,400 |
| Excess (Deficiency) of Revenues over Expenditures | 648,980 | (321,613) | (2,122) | 325,245 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in (out) | (323,735) | 321,613 | 2,122 | - |
| Total Other Financing Sources (Uses) | (323,735) | 321,613 | 2,122 | - |
| Net Change in Fund Balances | 325,245 | - | - | 325,245 |
| Fund Balance, beginning of year | 2,822,415 | - | - | 2,822,415 |
| Fund Balance, end of year | \$ 3,147,660 | \$ - | \$ - | \$ 3,147,660 |

See accompanying notes to the basic financial statements.

North County Charter School, Inc.

A Charter School and Component Unit of the
Indian River County District School Board

Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2020

| | |
|---|-------------------|
| Net change in fund balances - governmental funds | \$ 325,245 |
| 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 by which capital outlay (\$499,983) exceeds depreciation expense (\$155,588) in the period. | 344,395 |
| Repayment of the mortgage payable and capital lease obligation are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | 234,198 |
| Collection of the settlement proceeds are revenues in the governmental funds, but the collection reduces the receivable in the statement of net position | (91,005) |
| Change in net position of governmental activities | \$ 812,833 |

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2020

| | Budgeted Amounts | | Actual Amounts GAAP Basis | Variance with Final Budget Favorable (Unfavorable) |
|--|-------------------|-------------------|------------------------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Local | \$ 3,170,668 | \$ 3,170,668 | \$ 3,137,547 | \$ (33,121) |
| Interest | 30,000 | 30,000 | 39,275 | 9,275 |
| Total Revenues | 3,200,668 | 3,200,668 | 3,176,822 | (23,846) |
| Expenditures | | | | |
| Current - Education: | | | | |
| Instruction | 1,747,369 | 1,747,369 | 1,515,369 | 232,000 |
| Parental involvement | 150 | 150 | - | 150 |
| Instructional staff training | 2,400 | 2,400 | 1,134 | 1,266 |
| Board | 8,800 | 8,800 | 14,076 | (5,276) |
| School administration | 406,886 | 406,886 | 392,387 | 14,499 |
| Facilities acquisition and construction | 51,495 | 51,495 | 3,669 | 47,826 |
| Fiscal services | 15,535 | 15,535 | 14,710 | 825 |
| Transportation | 23,000 | 23,000 | 33,843 | (10,843) |
| Operation of plant | 213,318 | 213,318 | 218,698 | (5,380) |
| Maintenance of plant | 16,410 | 16,410 | 10,616 | 5,794 |
| Debt service | 316,932 | 316,932 | 323,340 | (6,408) |
| Total Expenditures | 2,802,295 | 2,802,295 | 2,527,842 | 274,453 |
| Excess (Deficit) of Revenues over Expenditures | 398,373 | 398,373 | 648,980 | 250,607 |
| Other Financing Sources (Uses) | | | | |
| Operating transfers in (out) | - | - | (323,735) | (323,735) |
| Excess (Deficit) of Revenues and Other Sources over Expenditures and Other Uses | \$ 398,373 | \$ 398,373 | 325,245 | \$ (73,128) |
| Fund Balance, beginning of year | | | 2,822,415 | |
| Fund Balance, end of year | | | \$ 3,147,660 | |

See accompanying notes to the basic financial statements.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements
June 30, 2020

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The North County Charter School, Inc., is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act, and Section 1002.33, Florida Statutes. The governing body of the School is the Board of Directors which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

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 Indian River County District School Board. The current charter is effective until June 30, 2028. 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. During the term of the charter, the District may also terminate the charter if good cause is shown. The North County Charter School, Inc. is considered a component unit of the Indian River County District School Board.

Criteria for determining if other entities are potential component units of the School which should be reported with 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 provide 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.

Basis of Presentation

The School's financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and bases of accounting between the statements, and certain required eliminations.

North County Charter School, Inc.

A Charter School and Component Unit of the

Indian River County District School Board

Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements – Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position. The School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities. The functions are also supported by general revenues (funding received from the Indian River County School District, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, food services, facilities acquisition and construction, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue. The School does not allocate indirect costs. This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its 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 purposes for which they are to be spent and the means by which spending activities are controlled. The School's major governmental funds are as follows:

General Fund - Used to account for all financial resources not required to be accounted for in another fund.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available to finance expenditures of the current period. 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 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 recognized when the related fund liability is incurred, except unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Budgetary Basis 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, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are as amended by the Schools' Board of Directors and adopted on a basis consistent with generally accepted accounting principles.

Cash

The School's cash consists of demand deposits with financial institutions, which are insured by Federal depository insurance.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

| | |
|-----------------------------------|-------------|
| Buildings and fixed equipment | 50 years |
| Improvements other than buildings | 10-15 years |
| Furniture, fixtures and equipment | 5-10 years |
| Motor vehicles | 5 years |
| Loan costs | 5-16 years |

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Revenue Sources

Revenues for current operations are received primarily from the Indian River 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 District. Under the provisions of Section 1011.62, Florida Statutes, the District 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 the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods.

The School received Federal 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 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.

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

Compensated Absences

Sick and personal leave expenditures are recognized when payments are made to the employees. Sick and personal leave do not accumulate from year-to-year; thus, no liability is recorded.

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosure

The School implemented the provisions of GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions (GASB No. 54)", in 2011, as required. The purpose of GASB 54 is to improve the consistency and usefulness of the fund balances information to the financial user. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

Governmental Fund Financial Statements. In accordance with GASBS No. 54, the School classifies fund balances in the governmental funds as follows:

Nonspendable – This classification 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. The School did not have any nonspendable resources as of June 30, 2020.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted – This classification 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. The School did not have any restricted resources as of June 30, 2020.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action 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. The School did not have any committed resources as of June 30, 2020.

Assigned – This classification 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 or by an official or body to which the School delegates the authority. The School did not have any assigned resources as of June 30, 2020.

Unassigned – This classification includes the residual fund balance for the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 11). 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.

General Fund

The General Fund has an Unassigned Fund Balance of \$3,147,660 at June 30, 2020.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balance Disclosure (continued)

Beginning with fiscal year end June 30, 2012, the School implemented the provisions of GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB No. 63)", in 2012, as required. The purpose of GASB 63 is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

Governmental-wide Financial Statements. In accordance with GASB No. 63, the School classifies net position in the governmental-wide financial statements as follows:

Net Investment in Capital Assets – This classification includes the School's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The School typically uses restricted assets first, as appropriate opportunities arise, but reserve the right to selectively defer the use until a future project. The School did not have any restricted net position as of June 30, 2020.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets. The School has the authority to revisit or alter this designation.

Interfund Activity

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. During the year ended June 30, 2020, the School made an interfund transfer of \$2,122 from the general fund to the special revenue fund to subsidize the School's food program. Also, during the year ended June 30, 2020, the School made an interfund transfer of \$321,613 from the general fund to the capital projects fund to temporarily subsidize the capital projects fund. As fund balance becomes available the capital projects fund and special revenue fund will transfer back amounts subsidized by the general fund.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Directors and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year ended June 30, 2020.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through September 8, 2020, the date the financial statements were available to be issued.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 2 – Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2020, was as follows:

| | Balance June 30, 2019 | Additions | Deletions | Balance June 30, 2020 |
|---|--------------------------|-------------|-------------|--------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 749,238 | \$ - | \$ - | \$ 749,238 |
| Total capital assets not being depreciated | 749,238 | - | - | 749,238 |
| Other capital assets: | | | | |
| Buildings and fixed equipment | 5,168,476 | - | - | 5,168,476 |
| Improvements other than buildings | 169,061 | 132,083 | - | 301,144 |
| Furniture, fixtures and equipment | 347,538 | 117,372 | (8,395) | 456,515 |
| Motor vehicles | 3,000 | - | - | 3,000 |
| Property under capital lease | 28,298 | - | - | 28,298 |
| Computer software | 3,050 | - | - | 3,050 |
| Loan costs | 63,109 | - | - | 63,109 |
| Construction in progress | 48,899 | 276,494 | (25,966) | 299,427 |
| Total other capital assets at historical cost | 5,831,431 | 525,949 | (34,361) | 6,323,019 |
| Less accumulated depreciation for: | | | | |
| Buildings and fixed equipment | (858,630) | (104,416) | - | (963,046) |
| Improvements other than buildings | (80,776) | (18,673) | - | (99,449) |
| Furniture, fixtures and equipment | (267,656) | (24,238) | 8,395 | (283,499) |
| Motor vehicles | (200) | (600) | - | (800) |
| Property under capital lease | (16,980) | (5,658) | - | (22,638) |
| Computer software | (2,436) | (305) | - | (2,741) |
| Loan costs | (45,572) | (1,698) | - | (47,270) |
| Total accumulated depreciation | (1,272,250) | (155,588) * | 8,395 | (1,419,443) |
| Other capital assets, net | 4,559,181 | 370,361 | (25,966) | 4,903,576 |
| Governmental activities capital assets, net | \$ 5,308,419 | \$ 370,361 | \$ (25,966) | \$ 5,652,814 |

*** Depreciation expense was charged to governmental functions as follows:**

| | |
|-----------------------|------------|
| Instruction | \$ 22,577 |
| School administration | 3,510 |
| Food services | 5,229 |
| Unallocated | 124,272 |
| | \$ 155,588 |

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 3 – Obligation under Capital Lease

| Fiscal year ending June 30, | |
|-----------------------------------|----------|
| 2021 | \$ 6,408 |
| 2022 | 534 |
| Total minimum lease payments | 6,942 |
| Less amount representing interest | (197) |
| | \$ 6,745 |

The imputed interest rate is 5.0 percent.

Note 4 – Long-Term Liabilities

The changes in the School's long-term obligations for governmental activities during the year consist of the following:

| | Principal Outstanding June 30, 2019 | Additions | Reductions | Principal Outstanding June 30, 2020 | Amount Due in One Year |
|-------------------|---|-----------|------------|---|------------------------------|
| Mortgages payable | \$ 2,431,185 | \$ - | \$ 228,289 | \$ 2,202,896 | \$ 238,856 |

The School has obtained financing to purchase and add to its facilities. A loan agreement was entered into on November 1, 2012 with Seacoast National Bank that requires monthly principal, plus interest payments of \$17,818 until the maturity date of November 1, 2027. The loan carries a fixed interest rate of 3.75%, based on a five-year adjusted rate through November 1, 2022.

On September 20, 2013, the School obtained a second loan with Seacoast National Bank. Under the terms of the agreement, beginning November 1, 2014, monthly principal, plus interest payments of \$8,593 are required until maturity on November 1, 2029, at which time all unpaid principal and interest shall become immediately due and payable. The loan carries a five-year adjustable interest rate of 3.75% for the first five years. Beginning October 1, 2018, the interest rate was adjusted to 3.75% over the 5-year Treasury Constant Maturity, with a floor rate of 3.75%. The adjustment is to occur every 5 years until paid in full.

Currently, payments on the mortgage payable are made by the General Fund.

North County Charter School, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 4 – Long-Term Liabilities (continued)

Amounts needed for the planned extended repayment of the mortgage at June 30, 2020, are as follows:

| Fiscal year ending June 30, | Principal | Interest | Total |
|-----------------------------|--------------|------------|--------------|
| 2021 | \$ 238,856 | \$ 78,076 | \$ 316,932 |
| 2022 | 247,968 | 68,964 | 316,932 |
| 2023 | 257,429 | 59,503 | 316,932 |
| 2024 | 267,250 | 49,682 | 316,932 |
| 2025 | 277,446 | 32,183 | 309,629 |
| 2026 and thereafter | 913,947 | 42,819 | 956,766 |
| | \$ 2,202,896 | \$ 331,227 | \$ 2,534,123 |

Note 5 – Net Position

At June 30, 2020, the net position of the School consisted of the following:

| | Governmental Activities | Business-type Activities |
|---|----------------------------|-----------------------------|
| Net investment in capital assets: | | |
| Net property, plant and equipment | \$ 5,652,814 | \$ - |
| Less: | | |
| Mortgage payable and capital lease obligation | (2,209,641) | - |
| Total net investment in capital assets | 3,443,173 | - |
| Unrestricted | 3,301,706 | - |
| Total net position | \$ 6,744,879 | \$ - |

Note 6 – 401(k) Plan

The School initiated a 401(k) plan on September 1, 2002 (restated January 1, 2015 and subsequently amended on May 4, 2016), that covers all employees who have attained twenty-one years of age and satisfied a one-year service requirement. Employees may make elective contributions up to the limit established by federal law. The School may make elective contributions equal to the employee's contribution up to a limit of 3% of the employee's compensation (excluding bonuses) for the fiscal year. For the year ended June 30, 2020, the School contributed \$26,012 to the plan.

North County Charter School, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 7 – Risk Management Programs

Personnel of the School are provided through a leasing arrangement with a licensed employee leasing company. Workers' compensation coverage is provided by the employee leasing company. Employees of the School are covered by purchased health insurance. The School contributes monthly for each employee to the plan and employees, at their option, authorize payroll withholdings to pay for dependents. Employees may also voluntarily enroll in other various insurance plans through a pre-tax program. Employees authorize payroll withholdings and are responsible for all premiums.

General liability, professional liability, and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.

Note 8 – Global Pandemic

Beginning in the first quarter of 2020, a global pandemic of coronavirus affected the nation, including the community wherein the school operates. The Governor of Florida passed Executive Order 20-91 that required all Florida residents to limit their movements and personal interactions outside of their home to only those necessary to obtain or provide essential services or conduct essential activities, resulting in the School operating remotely through the end of the 2019-20 school year. Management is presently unable to predict what short-term and long-term impact this level of disruption will have on the School. There are no adjustments to the financial statements as a result of this uncertainty.

Note 9 – Subsequent Event

On August 19, 2020, the School entered into a settlement agreement with a former employee for \$12,500 related to an EEOC complaint.

**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
North County Charter School, Inc.
Vero Beach, 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 North County Charter School, Inc. (the School), a component unit of the Indian River County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 8, 2020.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

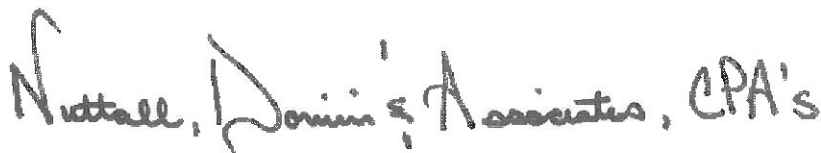
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

To the Board of Directors
North County Charter School, Inc.

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.

A handwritten signature in dark ink that reads "Nuttall, Donini & Associates, CPA's". The signature is written in a cursive, flowing style.

Nuttall, Donini & Associates, CPA's
Certified Public Accountants

September 8, 2020

Management Letter

To the Board of Directors
North County Charter School, Inc.
Vero Beach, Florida

Report on the Financial Statements

We have audited the financial statements of North County Charter School, Inc., Florida, as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated September 8, 2020.

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 on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, if any, which are dated September 8, 2020, 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.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in the management letter. The official title and the school code assigned by the Florida Department of Education of the entity are North County Charter School, Inc. and 315003.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not North County Charter 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 North County Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

To the Board of Directors
North County Charter School, Inc.

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 North County Charter School, Inc. It is management's responsibility to monitor North County Charter 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

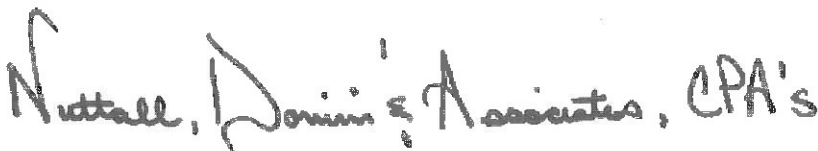
Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether North County Charter School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that North County Charter School, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not 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 Indian River County School District and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads "Nuttall, Donini & Associates, CPA's". The signature is written in a cursive, flowing style.

Nuttall, Donini & Associates, CPA's
Certified Public Accountants

September 8, 2020