

# South Tech Preparatory Academy, Inc.

Basic Financial Statements  
and Additional Information  
For the Year Ended June 30, 2017

# South Tech Preparatory Academy, Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
South Florida Preparatory Academy, Inc.  
Boynton Beach, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Tech Preparatory Academy, Inc. (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 from material misstatement.

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2017, 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 on pages 3 through 6 and budgetary comparison schedules – general fund and special revenue fund on pages 27 and 28 and the schedules related to the pension plan on pages 29 through 34 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 October 2, 2017, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 2, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of South Florida Preparatory Academy's (the "School") financial performance provides an overview of the School's financial activities for the years ended June 30, 2017 with certain comparative information for 2016. Please read it in conjunction with the School's financial statements which immediately follow this discussion.

## Financial Highlights

The following are highlights of financial activity for the year ended June 30, 2017:

- The School's assets and deferred outflows exceeded its total liabilities and deferred inflows as of June 30, 2017 by \$ 190,226.
- The School's net position increased by \$ 85,350 during the current fiscal year as a result of this year's operations.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements:** The government-wide financial statements, which consist of the following two statements, are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

- The statement of net position presents information on all the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.
- The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 7 and 8 of this report.

**Fund 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 only has one category of funds - governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance. The General and Special Revenue Funds are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General and Special Revenue Funds to demonstrate compliance with the budgets adopted for each.

The governmental funds financial statements can be found on pages 9 through 12 of this report.

**Notes to Basic Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 13 through 26 of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results and schedules relating to the School's Pension Plan. Required supplementary information can be found on pages 27 through 34 of this report.

## Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table reflects the condensed government-wide statement of net position as of June 30:

South Florida Preparatory Academy Statements of Net Position			
		2017	2016
<b>Current Assets</b>	\$	619,263	\$ 480,016
<b>Noncurrent Assets and Deferred Outflows</b>		555,306	310,522
Total assets and deferred outflows		1,174,569	790,538
<b>Current Liabilities</b>		93,140	130,486
<b>Noncurrent Liabilities and Deferred Inflows</b>		891,203	555,176
Total liabilities and deferred inflows		984,343	685,662
<b>Net Position:</b>			
Net Investment in capital assets		28,654	52,635
Unrestricted		161,572	52,241
Total net position	\$	190,226	\$ 104,876

A portion of the School's net position reflects its investment in capital assets, less any related outstanding debt used to acquire those assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the School's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance, unrestricted, may be used to meet the School's ongoing obligations.

The following table reflects the School's change in net position for the years ended June 30, 2017 and 2016:

South Florida Preparatory Academy  
Statements of Changes in Net Position

	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>		
General revenues	\$ 3,560,688	\$ 2,632,712
Program revenues	<u>254,095</u>	<u>173,875</u>
Total revenues	<u>3,814,783</u>	<u>2,806,587</u>
<b>Expenses:</b>		
Instruction	1,779,857	1,477,581
Administration	815,788	533,604
Operation and maintenance of plant	587,643	340,123
Student transportation services	454,567	205,200
Fiscal services	32,393	40,216
Central services	41,993	46,691
Board expenditures	<u>17,192</u>	<u>7,500</u>
Total expenses	<u>3,729,433</u>	<u>2,650,915</u>
Change in net position	85,350	155,672
<b>Net Position (Deficit), July 1</b>	<u>104,876</u>	<u>(50,796)</u>
<b>Net Position (Deficit), June 30</b>	<u>\$ 190,226</u>	<u>\$ 104,876</u>

**Financial Analysis of the School's Funds**

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the School. At the end of year 2017, unassigned fund balance of the General Fund was \$ 497,635, an increase of \$ 212,814 for the year. The overall General Fund balance increased by \$ 252,201.



### General Fund Budgetary Highlights

The 2016-2017 budget was amended at the end of the fiscal year to agree with the actual results of operations.

### Capital Assets and Debt Administration

**Capital assets:** The School's investment in capital assets as of June 30, 2017 amounts to \$ 28,654 net of accumulated depreciation as compared to \$ 52,635 as of June 30, 2016. This investment in capital assets is composed of audio visual and computer software and furniture.

**Debt:** At June 30, 2017, the School had outstanding debt of \$ 167,400 on its note with South Tech Charter Academy, Inc. (Note 7). Additional information regarding changes in debt can be found in Note 8 to the financial statements.

### Economic Factors

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in the year 2018 is a 5% expected increase in student enrollment, which should increase funding from the state.

### Requests for Information

This financial report is designed to provide a general overview of South Tech Preparatory Academy, Inc. for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the South Tech Preparatory Academy, Inc.; 1325 Gateway Boulevard, Boynton Beach, FL 33426.

## BASIC FINANCIAL STATEMENTS

**South Tech Preparatory Academy, Inc.**  
**Statement of Net Position**  
**June 30, 2017**

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	<b>Governmental Activities</b>
<b>Current Assets:</b>	
Cash	\$ 424,893
Due from government agencies	120,000
Prepays	<u>74,370</u>
Total current assets	<u>619,263</u>
<b>Noncurrent Assets:</b>	
Deposits	87,400
Capital assets, net of accumulated depreciation	<u>28,654</u>
Total noncurrent assets	<u>116,054</u>
Total assets	<u>735,317</u>
<b>Deferred Outflows of Resources:</b>	
Deferred pension outflows	<u>439,252</u>
Total assets and deferred outflows	<u>1,174,569</u>
<b>Current Liabilities:</b>	
Accounts payable	12,491
Accrued liabilities	63,873
Due to related party	<u>16,776</u>
Total current liabilities	<u>93,140</u>
<b>Noncurrent Liabilities:</b>	
Compensated absences payable	20,512
Note payable - due in more than one year	167,400
Net pension liability	<u>674,713</u>
Total noncurrent liabilities	<u>862,625</u>
Total liabilities	<u>955,765</u>
<b>Deferred Inflows of Resources:</b>	
Deferred pension inflows	<u>28,578</u>
Total liabilities and deferred inflows	<u>984,343</u>
<b>Net Position:</b>	
Net investment in capital assets	28,654
Unrestricted	<u>161,572</u>
Total net position	<u>\$ 190,226</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**South Tech Preparatory Academy, Inc.**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

		<b>Program Revenues</b>		<b>Governmental Activities</b>
		<b>Capital</b>	<b>Operating</b>	<b>Net Revenue</b>
	<b>Expenses</b>	<b>Grants and Contributions</b>	<b>Grants and Contributions</b>	<b>(Expense) and Change in Net Position</b>
<b>Functions/Programs:</b>				
Governmental activities:				
Instruction	\$ 1,698,216	\$ -	\$ 254,095	\$ (1,444,121)
Pupil personnel services	65,145	-	-	(65,145)
Instructional staff training	6,650	-	-	(6,650)
Instructional-related technology	9,846	-	-	(9,846)
Board expenditures	17,192	-	-	(17,192)
General administration	155,227	-	-	(155,227)
School administration	612,989	-	-	(612,989)
Fiscal services	32,393	-	-	(32,393)
Central services	41,993	-	-	(41,993)
Student transportation services	454,567	-	-	(454,567)
Operation and maintenance of plant	587,643	-	-	(587,643)
Administrative technology services	47,572	-	-	(47,572)
Total governmental activities	\$ <u>3,729,433</u>	\$ <u>-</u>	\$ <u>254,095</u>	<u>(3,475,338)</u>
General revenues:				
FTE nonspecific revenues				3,478,833
Contributions and other revenue				<u>81,855</u>
Total general revenues				<u>3,560,688</u>
Change in net position				85,350
Net position, July 1, 2016,				<u>104,876</u>
Net position, June 30, 2017				\$ <u><u>190,226</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

**South Tech Preparatory Academy, Inc.**  
**Balance Sheet - Governmental Funds**  
**June 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>Assets:</b>			
Cash	\$ 424,893	\$ -	\$ 424,893
Due from government agencies	16,793	103,207	120,000
Prepays	74,370	-	74,370
Due from other funds	103,207	-	103,207
Deposits	87,400	-	87,400
Total assets	\$ <u>706,663</u>	\$ <u>103,207</u>	\$ <u>809,870</u>
<b>Liabilities:</b>			
Accounts payable	\$ 12,491	\$ -	\$ 12,491
Accrued liabilities	63,873	-	63,873
Due to other funds	-	103,207	103,207
Due to related party	16,776	-	16,776
Total liabilities	<u>93,140</u>	<u>103,207</u>	<u>196,347</u>
<b>Fund Balances:</b>			
Nonspendable for prepaids and deposits	161,770	-	161,770
Assigned to school-based student activity organizations	46,584	-	46,584
Unassigned	405,169	-	405,169
Total fund balances	<u>613,523</u>	<u>-</u>	<u>613,523</u>
Total liabilities and fund balances	\$ <u>706,663</u>	\$ <u>103,207</u>	\$ <u>809,870</u>

The accompanying notes to basic financial statements are an integral part of these statements.

**South Tech Preparatory Academy, Inc.**  
**Reconciliation of the Balance Sheet - Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2017**

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<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 613,523</b>
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources; therefore, they are not reported in the governmental funds.

Cost of capital assets	\$ 147,032	
Accumulated depreciation	<u>(118,378)</u>	28,654

Certain funds related to pension assets and liabilities are not reported in the governmental funds.

Deferred outflows, relating to the net pension liability	439,252
Deferred inflows, relating to the net pension liability	(28,578)

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.

Note payable	(167,400)
Net pension liability	(674,713)

Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

<u>(20,512)</u>
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<b>Net Position of Governmental Activities</b>	<b>\$ <u>190,226</u></b>
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The accompanying notes to basic financial statements are an integral part of these statements.

**South Tech Preparatory Academy, Inc.**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Total</b>
<b>Revenues:</b>			
Federal sources	\$ -	\$ 252,514	\$ 252,514
State sources	3,478,833	-	3,478,833
Local sources	81,855	1,581	83,436
	<u>3,560,688</u>	<u>254,095</u>	<u>3,814,783</u>
Total revenues			
	<u>3,560,688</u>	<u>254,095</u>	<u>3,814,783</u>
<b>Expenditures:</b>			
Current:			
Instruction	1,399,544	230,196	1,629,740
Pupil personnel services	36,238	23,749	59,987
Instructional staff training	6,650	-	6,650
Instructional-related technology	9,846	-	9,846
Board expenditures	17,192	-	17,192
General administration	142,920	-	142,920
School administration	609,360	-	609,360
Fiscal services	32,243	150	32,393
Central services	41,993	-	41,993
Student transportation services	454,567	-	454,567
Operation and maintenance of plant	587,467	-	587,467
Administrative technology services	46,075	-	46,075
Capital outlay	-	-	-
	<u>3,384,095</u>	<u>254,095</u>	<u>3,638,190</u>
Total expenditures			
	<u>3,384,095</u>	<u>254,095</u>	<u>3,638,190</u>
Net change in fund balances	176,593	-	176,593
	<u>176,593</u>	<u>-</u>	<u>176,593</u>
<b>Fund Balances, July 1, 2016</b>	<u>436,930</u>	<u>-</u>	<u>436,930</u>
	<u>436,930</u>	<u>-</u>	<u>436,930</u>
<b>Fund Balances, June 30, 2017</b>	\$ <u><u>613,523</u></u>	\$ <u><u>-</u></u>	\$ <u><u>613,523</u></u>

The accompanying notes to basic financial statements are an integral part of these statements.

**South Tech Preparatory Academy, Inc.**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures and Changes in Fund Balances - Governmental**  
**Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

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<b>Net Change in Fund Balances - Governmental Funds</b>	<b>\$ 176,593</b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, these costs are allocated over their estimated useful lives as a provision for depreciation.

Cost of capital assets	\$ -	
Provision for depreciation	<u>(23,981)</u>	(23,981)

Certain changes related to pension assets and liabilities are not reported in the net change in the governmental funds.

Change in deferred outflows	268,765
Change in deferred inflows	34,841

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

Change in compensated absences	(11,072)	
Change in the net pension liability	<u>(359,796)</u>	<u>(370,868)</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>85,350</u></b>
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The accompanying notes to basic financial statements are an integral part of these statements.



## Note 1 - Organization and Operations

South Florida Preparatory Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The School commenced operations in July 2013 and offers classes for grades six through eight in the City of Boynton Beach, Florida. Four hundred and ninety two (492) students were enrolled in classes when the school year ended June 30, 2017.

## Note 2 - Summary of Significant Accounting Policies

**Reporting entity:** The School operates under a charter granted by the sponsoring School Board, the School Board of Palm Beach County, Florida. The current charter is effective until June 30, 2018, and may be renewed at the end of the term provided that all requirements of the sponsor are met. At the end of the term of the charter, the Board may choose not to renew the charter under grounds specified in the charter, in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's financial statements.

**Basis of presentation:** Based on the guidance presented in the American Institute of Certified Public Accountants Audit and Accounting Guide – Not-for-Profit Organizations and provisions of Section 228.056(9), Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

**Government-wide statements:** The School's 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. All of the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is presented on a consolidated basis, if applicable, and is reported on a full accrual, economic resource basis, which recognizes all noncurrent assets and receivables, as well as all noncurrent debt and obligations.

The government-wide statement of activities reports both the gross and net cost of each of the School's functions. The net costs, by function, are also supported by general revenues (unrestricted contributions, investment earnings, miscellaneous revenue, etc.). The statement of activities reduces gross expenses (including provision for depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function.

Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

## Note 2 - Summary of Significant Accounting Policies (continued)

This government-wide focus is more on the ability to sustain the School as an entity and the change in the School's net position resulting from the current year's activities.

**Fund financial statements:** The accounts of the School are organized on the basis of funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures.

The School reports the following major funds:

- **General Fund** – This fund is employed in accounting for all the operating activities of the School except those required to be accounted for in another fund.
- **Special Revenue Fund** – This fund is used to account for federal grants that are legally restricted to expenditures for particular purposes.

**Net position:** Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets – represents the difference between the cost of any capital assets, less accumulated depreciation reduced by the outstanding balance of any borrowings used for the acquisition, construction or improvements of those assets, if any.
- Restricted net position – consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted – indicates that portion of net position that can be used for future operations.

**Fund balance:** The School has implemented the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance classifications to report on the nature and extent to which the School is bound to have constraints on the specific purposes for which amounts in those funds can be spent.

The following classifications describe the relative strength of the spending constraints:

- Nonspendable – amounts that are not in spendable form (such as prepaid items and deposits) or are legally or contractually required to be maintained intact.
- Restricted – amounts constrained to specific purposes by external providers (such as grantors) or imposed by law through constitutional provisions, or by enabling legislation.
- Committed – amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision making authority (i.e., the School Board) through Resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School's Board takes the same highest level action (i.e., Resolution) to remove or change the constraint.

**Note 2 - Summary of Significant Accounting Policies (continued)**

- Assigned – amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the School's body or any delegated authority at their direction.
- Unassigned – amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When expenditures are incurred for which committed, assigned or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds and finally unassigned funds, as needed, unless the School Board or its delegated official or body has provided otherwise in its commitment or assignment actions.

**Measurement focus and basis of accounting:** Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied. Governmental funds use the current financial resources measurement focus and the governmental-wide statement uses the economic resources measurement focus.

Governmental activity in the government-wide financial statements is presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund basic financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measureable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

**Cash and cash equivalents:** Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

**Due from government agencies:** Amounts due to the School by governments or agencies are for grants or programs under which the services have been provided by the School.

**Due to/from other funds:** Interfund receivables and payables arise from interfund transaction and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

**Prepaid expenses/expenditures:** Certain payments to vendors reflect cost applicable to a future accounting period and are recorded as prepaid items in both government-wide and fund financial statements.

## Note 2 - Summary of Significant Accounting Policies (continued)

**Capital assets:** Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 1,000 and useful life of over one year. Donated capital assets are valued at their estimated fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

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

Audio visual and computer software	3 years
Furniture	5-7 years

**Compensated absences:** Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employees. The liability for compensated absences is classified as a long-term liability that is due within one year because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated.

**Deferred outflows/inflows of resources:** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2017, the School had deferred outflows of \$ 439,252, which is related to the net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2017, the School had deferred inflows of \$ 28,578, which is related to the net pension liability.

**Unearned revenue:** Unearned revenue arises when the School receives resources before it has a legal claim to them.

**Grant and contract revenue:** Grant and contract revenue is recognized when the allowable costs as defined by the individual grant or contract are incurred.

**Revenue recognition:** Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements and is net of a 5% administration fee retained by the School Board. This funding is received on a prorata basis over the twelve month period and is adjusted for changes in full-time equivalent (FTE) student population.

**Income taxes:** The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)3 of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

## Note 2 - Summary of Significant Accounting Policies (continued)

**Use of estimates:** The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**Date of management's review:** Subsequent events have been evaluated by management through October 2, 2017, which is the date the financial statements were available to be issued.

## Note 3 - Budgets

The School formally adopted budgets for the General and Special Revenue Funds by function for the year ended June 30, 2017. The budgets have been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the final budgeted amounts for the General Fund and Special Revenue Fund are presented as required supplementary information.

## Note 4 - Deposits

At June 30, 2017 the total carrying amount of the School's cash balances was \$ 424,893. The bank balance at local depositories was \$ 486,435.

State statute require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimal collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity at June 30, 2017.

## Note 5 - Capital Assets

A summary of changes in governmental capital assets is as follows:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Capital assets, being depreciated:				
Audio visual and computer software	\$ 131,723	\$ -	\$ -	\$ 131,723
Furniture	15,309	-	-	15,309
Total capital assets, being depreciated	147,032	-	-	147,032

**Note 5 - Capital Assets (continued)**

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017
Accumulated depreciation:				
Audio visual and computer software	87,439	21,794	-	109,233
Furniture	<u>6,958</u>	<u>2,187</u>	<u>-</u>	<u>9,145</u>
Total accumulated depreciation	<u>94,397</u>	<u>23,981</u>	<u>-</u>	<u>118,378</u>
Net capital assets	\$ <u>52,635</u>	\$ <u>(23,981)</u>	\$ <u>-</u>	\$ <u>28,654</u>

The provision for depreciation for the year ended June 30, 2017 amounted to \$ 23,981, of which \$ 21,583 was allocated to instruction and \$ 2,398 was allocated to school administration.

As part of the School's charter contract, all capital assets purchased with public funds will automatically revert to the district school board upon the non-renewal or termination of the contract.

**Note 6 - Contingencies and Commitments**

**Grant funding:** The School received financial assistance from federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Uniform Guidance) and the Florida Single Audit Act, the School is not required to conduct "single audits" since the required threshold for both federal and state financial assistance is currently \$ 750,000 and the School did not exceed either threshold.

**Note 7 – Related Party Transactions**

The School is related to South Tech Charter Academy, Inc. ("STA") through common board members. STA is a high school which was originally granted its charter in July 2004. To assist with the School's start up, monies were advanced from STA in the form of a debt agreement which is outstanding between the Schools. The outstanding balance of the note at June 30, 2017 was \$ 167,400 (Note 8). The School also received grant funding during the year of \$ 252,514 from the State of Florida Department of Education that was passed through from STA for its use. In addition, at June 30, 2017, the School has an amount due to STA in the amount of \$ 16,776, which represents the reimbursement of certain shared expenditures.

**Note 8 – Debt**

As stated in Note 7, the School has a note payable to STA outstanding at June 30, 2017. This note was granted on April 30, 2013, prior to the opening of the School. The note provided \$ 350,000 to the School to fund start-up operations. The note bears no interest and all outstanding principal is due and payable on April 1, 2019.



#### Note 8 – Debt (continued)

The following table summarizes the debt activity for the year ended June 30, 2017:

	Balance at July 1, 2016	Additions	Deletions	Balance at June 30, 2017	Due In One Year
Note payable - STA	\$ 167,400	\$ -	\$ -	\$ 167,400	\$ -
	<u>\$ 167,400</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 167,400</u>	<u>\$ -</u>

#### Note 9 - Lease

Effective August 1, 2015, the School entered into a facility lease with a third party. This lease is through August 2020, with two five year renewal options. Monthly rent from August 1, 2016 through July 31, 2017 is \$ 27,917 and will increase to \$ 43,541 from August 1, 2017 through July 31, 2018. Commencing August 1, 2018, rent will then increase the lesser of 2.5%, the published CPI, or the All Urban Consumers Index. In addition, the School will be responsible for their share of common area maintenance, which will be approximately \$ 6,700 per month. Total rent expense under this lease for the year ended June 30, 2017 was approximately \$ 400,000.

The future approximate minimum lease payments required under this lease as of June 30, 2017, including the common area maintenance, are as follows:

2018	\$ 587,300
2019	\$ 614,900
2020	\$ 628,200
2021	\$ 52,400
Thereafter	\$ NONE

#### Note 10 – Florida Retirement System

As provided by Chapters 121 and 112, Florida Statutes, the Florida Retirement System (“FRS”) provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

## Note 10 – Florida Retirement System (continued)

### Pension Plan:

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% (3.33% for judges and justices) of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers' class members, and to age 60 or 30 years of service regardless of age for Special Risk and Special Risk Administrative Support class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.



**Note 10 – Florida Retirement System (continued)**

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2016 through June 30, 2017, were as follows: Regular - 7.52%; Special Risk Administrative Support - 28.06%; Special Risk - 22.57%; Senior Management Service - 21.77%; Elected Officers' - 42.27%; and DROP participants - 12.99%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods from July 1, 2016 through June 30, 2017.

The School's contributions, including employee contributions, to the Pension Plan totaled \$ 35,097 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the School reported a liability of \$ 362,654 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportion of the net pension liability was based on a projection of the School's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2016, the School's proportion was 0.00143620% percent, which was a decrease of 0.00029209% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$ 92,265. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 35,426	\$ -
Changes of assumptions	19,378	-
Net difference between projected and actual earnings on pension plan investments	259,598	-
Changes in proportion and differences between School contributions and proportionate share of contributions	1,916	(17,642)
School contributions subsequent to the measurement date	<u>18,804</u>	<u>-</u>
Total	<u>\$ 335,122</u>	<u>\$ (17,642)</u>

The deferred outflows of resources related to the Pension Plan, totaling \$ 18,804 resulting from School contributions to the Pension Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

**Note 10 – Florida Retirement System (continued)**

Year Ended <u>June 30:</u>	<u>Amount</u>
2018	\$ 46,408
2019	\$ 46,408
2020	\$ 119,966
2021	\$ 74,987
2022	\$ 8,088
Thereafter	\$ 2,819

Actuarial Assumptions - The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.60%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables. The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to section 216.136(10), Florida Statutes. During presentations to the 2016 FRS Actuarial Assumption Conference, Aon Hewitt, the investment consultant for the State Board of Administration, and the consulting actuary both recommended reducing the investment return assumption. Based on their respective capital market outlook models, the 50th percentile average annual long-term future return rates ranged between 6.3 percent and 6.6 percent. When Aon Hewitt applied the State Board of Administration's approach to assumption development, the investment return forecast was 7.0 percent. The consulting actuary notes the reduced investment return assumption adopted by the FRS Actuarial Assumption Conference conflicts with their judgment of a reasonable assumption as defined by the Actuarial Standards of Practice Number 27 (ASOP 27).

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

**Note 10 – Florida Retirement System (continued)**

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed income	18.0%	4.7%	4.6%	4.6%
Global equity	53.0%	8.1%	6.8%	17.2%
Real estate (property)	10.0%	6.4%	5.8%	12.0%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	11.1%
Total	100.0%			
Assumed Inflation - Mean		2.6%		1.9%

(1) As outlined in the Pension Plan's investment policy

**Discount Rate** – The discount rate used to measure the total pension liability was 7.60%. The pension 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 calculation of the total pension liability is equal to the long-term expected rate of return.

**Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate** - The following represents the School's proportionate share of the net pension liability calculated using the discount rate of 7.60%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.60%) or one percentage point higher (8.60%) than the current rate:

	1% Decrease (6.60%)	Current Discount Rate (7.650%)	1% Increase (8.60%)
School's proportionate share of the net pension liability	\$ 667,770	\$ 362,654	\$ 108,768

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

**HIS Plan:**

**Plan Description** - The HIS Plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

**Note 10 – Florida Retirement System (continued)**

Benefits Provided - For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$ 5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$ 30 and a maximum HIS payment of \$ 150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers asset by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2016, the HIS contribution for the period from July 1, 2016 through June 30, 2017 was 1.66%. The School contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The School's contributions to the HIS Plan totaled \$ 13,724 for the fiscal year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2017, the School reported a liability of \$ 312,059 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The School's proportion of the net pension liability was based on a projection of the School's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2016, the School's proportion was 0.00267747% percent, which was a decrease of 0.00021502% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$ 46,347. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 63,416	\$ -
Net difference between projected and actual earnings on pension plan investments	123	-
Differences between expected and actual experience	-	(1,110)
Changes in proportion and differences between School HIS Plan contributions and proportionate share of contributions	27,197	(9,826)
School HIS Plan contributions subsequent to the measurement date	13,394	-
	<u>\$ 104,130</u>	<u>\$ (10,936)</u>

**Note 10 – Florida Retirement System (continued)**

The deferred outflows of resources related to the HIS Plan, totaling \$ 13,394 resulting from School contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2018	\$ 14,664
2019	\$ 14,664
2020	\$ 14,629
2021	\$ 14,612
2022	\$ 13,237
Thereafter	\$ 7,994

Actuarial Assumptions - The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.85%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan. The municipal rate used to determine total pension liability was decreased from 3.80% to 2.85%.

Discount Rate - The discount rate used to measure the total pension liability was 2.85%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is funded on a pay-as-you-go basis, no experience study has been completed for that program.

Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the School's proportionate share of the net pension liability calculated using the discount rate of 2.85%, as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.85%) or one percentage point higher (3.85%) than the current rate:

	<u>1% Decrease (1.85%)</u>	<u>Current Discount Rate (2.85%)</u>	<u>1% Increase (3.85%)</u>
School's proportionate share of the net pension liability	\$ 358,003	\$ 312,059	\$ 273,929

**Note 10 – Florida Retirement System (continued)**

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

**Note 11 – Risk Financing**

The School is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School places all insurance risk, less nominal deductibles, in the hands of commercial carriers. At the present time, management believes that any claims the School may have are insured and that any expense associated with them will not materially affect the financial position of the School.

## REQUIRED SUPPLEMENTARY INFORMATION

**South Tech Preparatory Academy, Inc.**  
**Statement of Revenues, Expenditures and**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2017**

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
State sources	\$ 3,426,912	\$ 3,478,833	\$ 3,478,833	\$ -
Local sources	<u>78,250</u>	<u>81,855</u>	<u>81,855</u>	<u>-</u>
Total revenues	<u>3,505,162</u>	<u>3,560,688</u>	<u>3,560,688</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction	1,537,956	1,399,544	1,399,544	-
Pupil personnel services	137,006	36,238	36,238	-
Instructional staff training	2,000	6,650	6,650	-
Instructional-related technology	38,000	9,846	9,846	-
Board expenditures	15,409	17,192	17,192	-
General administration	140,832	142,920	142,920	-
School administration	466,315	609,360	609,360	-
Fiscal services	30,922	32,243	32,243	-
Central services	52,501	41,993	41,993	-
Student transportation services	225,000	454,567	454,567	-
Operation and maintenance of plant	611,779	587,467	587,467	-
Administrative technology services	<u>77,067</u>	<u>46,075</u>	<u>46,075</u>	<u>-</u>
Total expenditures	<u>3,334,787</u>	<u>3,384,095</u>	<u>3,384,095</u>	<u>-</u>
Net change in fund balance	<u>170,375</u>	<u>176,593</u>	<u>176,593</u>	<u>-</u>



**South Tech Preparatory Academy, Inc.**  
**Statement of Revenues, Expenditures and**  
**Budgetary Comparison Schedule - Special Revenue Fund**  
**For the Year Ended June 30, 2017**

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	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Title I funds	\$ 198,634	\$ 177,842	\$ 177,842	\$ -
IDEA grant funds	74,843	73,322	73,322	-
Title II funds	-	1,350	1,350	-
K-12 supportive grant	<u>1,250</u>	<u>1,581</u>	<u>1,581</u>	<u>-</u>
Total revenues	<u>274,727</u>	<u>254,095</u>	<u>254,095</u>	<u>-</u>
<b>Expenditures:</b>				
Current:				
Instruction	229,722	230,196	230,196	-
Pupil personnel services	45,005	23,749	23,749	-
Fiscal services	<u>-</u>	<u>150</u>	<u>150</u>	<u>-</u>
Total expenditures	<u>274,727</u>	<u>254,095</u>	<u>254,095</u>	<u>-</u>
Net change in fund balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**South Tech Preparatory Academy, Inc.**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Florida Retirement System**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
South Tech Preparatory Academy, Inc.'s proportion of the net pension liability	0.00088776%	0.00172829%	0.00143620%
South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability	\$ 54,165	\$ 166,289	\$ 362,654
South Tech Preparatory Academy, Inc.'s covered-employee payroll	\$ 507,016	\$ 1,249,889	\$ 1,732,814
South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll	10.68%	13.30%	20.93%
Plan fiduciary net position as a percentage of total pension liability	96.09%	92.00%	84.88%

\* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**South Tech Preparatory Academy, Inc.**  
**Schedule of Proportionate Share of Net Pension Liability**  
**Health Insurance Subsidy Program**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
South Tech Preparatory Academy, Inc.'s proportion of the net pension liability	0.00148866%	0.00289250%	0.00267747%
South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability	\$ 139,193	\$ 148,628	\$ 312,059
South Tech Preparatory Academy, Inc.'s covered-employee payroll	\$ 507,016	\$ 1,249,889	\$ 1,732,814
South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll	27.45%	11.89%	18.01%
Plan fiduciary net position as a percentage of total pension liability	0.99%	0.50%	0.97%

- \* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**South Tech Preparatory Academy, Inc.**  
**Schedule of Contributions**  
**Florida Retirement System Pension Plan**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 19,446	\$ 42,137	\$ 35,097
Contributions in related to the contractually required contribution	\$ <u>(19,446)</u>	\$ <u>(42,137)</u>	\$ <u>(35,097)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
South Tech Preparatory Academy, Inc.'s covered-employee payroll	\$ 507,016	\$ 1,249,889	\$ 1,732,814
Contributions as a percentage of covered payroll	3.84%	3.37%	2.03%

- \* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**South Tech Preparatory Academy, Inc.**  
**Schedule of Contributions**  
**Retiree Health Insurance Subsidy Program**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$ 5,100	\$ 11,057	\$ 13,724
Contributions in related to the contractually required contribution	\$ <u>(5,100)</u>	\$ <u>(11,057)</u>	\$ <u>(13,724)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
South Tech Preparatory Academy, Inc.'s covered-employee payroll	\$ 507,016	\$ 1,249,889	\$ 1,732,814
Contributions as a percentage of covered payroll	1.01%	0.88%	0.79%

- \* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**South Tech Preparatory Academy, Inc.**  
**Schedule of Investment Returns**  
**Florida Retirement System Pension Plan**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

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	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted annual rate of return, net of investment expenses	17.57%	3.77%	0.57%

\* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

**South Tech Preparatory Academy, Inc.**  
**Schedule of Investment Returns**  
**Retiree Health Insurance Subsidy Program**  
**Last 10 Fiscal Years \***  
**(Unaudited)**

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	<u>2014</u>	<u>2015</u>	<u>2016</u>
Annual money-weighted annual rate of return, net of investment expenses	17.57%	3.77%	0.57%

\* This schedule is intended to present information for ten years. However, until a full ten-year trend is compiled, the pension plan will present information for those years for which the information is available.

## OTHER AUDITOR'S REPORTS



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

To the Board of Directors  
South Florida Preparatory Academy, Inc.  
Boynton Beach, Florida

We have audited, 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, the financial statements of the governmental activities and each major fund of South Florida Preparatory Academy (the "School") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 2, 2017.

**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 over financial reporting.

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 the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the 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 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**

This 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 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 2, 2017

## INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors  
South Tech Preparatory Academy, Inc.  
Boynton Beach, Florida

### Report on the Financial Statements

We have audited the financial statements of South Tech Preparatory Academy (the "School") as of and for the year ended June 30, 2017, and have issued our report thereon dated October 2, 2017.

### Auditor's Responsibility

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; and Chapter 10.850, Rules of the Auditor General.

### Other Report

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 2, 2017, 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 recommendations made in the preceding 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 South Tech Preparatory Academy, Inc.

### Financial Condition

Section 10.854(1)(e)2., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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### **Transparency**

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

### **Other Matters**

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### **Purpose of this Letter**

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
October 2, 2017