

South Tech Charter Academy, Inc.

Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2018

Table of Contents

Independent Auditor's Report	1-2
Management's Discussion and Analysis	
Management's Discussion and Analysis (Not Covered by Independent Auditor's Report)	3-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	7
Statement of Activities	8
Fund Financial Statements:	
Balance Sheet - Governmental Funds	9
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	10
Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances - Governmental Funds to the Statement of Activities	12
Notes to Basic Financial Statements	13-24
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	25
Budgetary Comparison Schedule – Special Revenue Fund	26
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan	27
Schedule of Proportionate Share of Net Pension Liability – Retiree Health Insurance Subsidy Program	28
Schedule of Contributions – Florida Retirement System Pension Plan	29
Schedule of Contributions – Retiree Health Insurance Subsidy Program	30
Schedule of Investment Returns – Florida Retirement System Pension Plan	31
Schedule of Investment Returns – Retiree Health Insurance Subsidy Program	32

Table of Contents
(continued)

Compliance Section

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 <i>Government Auditing Standards</i>	33-34
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	35-36
Independent Auditor's Report to the Board of Directors	37-38
Schedule of Expenditures of Federal Awards	39
Notes to Schedule of Expenditures of Federal Awards	40
Schedule of Findings and Questioned Costs	41

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Tech Charter 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 Charter Academy, Inc. (the "School"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

CPA's + Trusted Advisors

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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6, the budgetary comparison schedules – general fund and special revenue fund on pages 25 and 26 and the schedules related to the pension plan on pages 27 through 32 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 Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2018, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the School's 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
September 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of South Tech Charter Academy (the "School") financial performance provides an overview of the School's financial activities for the year ended June 30, 2018 with certain comparative information for 2017. 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, 2018:

- The School's total liabilities exceeded its assets as of June 30, 2018 by \$ 586,364 (net deficit).
- The School's net position (deficit) decreased by \$ 155,114 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 two 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. Budgetary comparison schedules have 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 24 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 25 through 32 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 Tech Charter Academy Statements of Net Position (Deficit)			
	2018		2017
Current Assets	\$ 2,116,273	\$	1,659,063
Noncurrent Assets and Deferred Outflows	<u>3,357,431</u>		<u>2,762,713</u>
Total assets and deferred outflows	<u>5,473,704</u>		<u>4,421,776</u>
Current Liabilities	452,417		476,042
Noncurrent Liabilities and Deferred Inflows	<u>5,607,651</u>		<u>4,376,984</u>
Total liabilities and deferred inflows	<u>6,060,068</u>		<u>4,853,026</u>
Net Position (deficit):			
Net investment in capital assets	927,134		1,015,376
Unrestricted (deficit)	<u>(1,513,498)</u>		<u>(1,446,626)</u>
Total net position (deficit)	\$ <u>(586,364)</u>	\$	<u>(431,250)</u>

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, 2018 and 2017.

South Tech Charter Academy
Statements of Changes in Net Position

	2018	2017
Revenues:		
General revenues	\$ 9,228,849	\$ 8,846,536
Program revenues	<u>2,447,126</u>	<u>2,342,541</u>
Total revenues	<u>11,675,975</u>	<u>11,189,077</u>
Expenses:		
Instruction	7,420,294	6,942,000
Administration	1,285,737	1,360,826
Operation and maintenance of plant	2,201,093	2,298,873
Student transportation services	615,334	505,601
Fiscal services	179,877	210,747
Board expenditures	<u>128,754</u>	<u>110,876</u>
Total expenses	<u>11,831,089</u>	<u>11,428,923</u>
Change in net position	(155,114)	(239,846)
Net Position (deficit), beginning of year	<u>(431,250)</u>	<u>(191,404)</u>
Net Position (deficit), end of year	<u>\$ (586,364)</u>	<u>\$ (431,250)</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 2018, unassigned fund balance of the General Fund was \$ 1,315,305, an increase of \$ 461,620 for the year. The overall General Fund balance increased by \$ 313,744.

General Fund Budgetary Highlights

Total revenues were favorable to the budget by approximately \$ 1,931,000.

Total expenditures were unfavorable to the budget by approximately \$ 1,691,000. This is mostly due to in-kind rent that was not budgeted for, which is included in operation and maintenance of plant and local sources in the revenues noted above. See page 25 for budget and actual comparisons.

Capital Assets and Debt Administration

Capital assets: The School's investment in capital assets as of June 30, 2018 amounts to \$ 927,134 net of accumulated depreciation as compared to \$ 1,015,376 as of June 30, 2017. This investment in capital assets is composed of leasehold improvements, furniture & equipment, vehicles, and audio visual and computer software.

Debt: At June 30, 2018, the School had no outstanding debt.

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 2019 is that the School will implement 2018 Florida Statute Chapter 1006 ss. 1006.12 *Safe-school officers* at each public school. This statute states that for the protection and safety of school personnel, property, students, and visitors, each district school board and school district superintendent shall partner with law enforcement agencies to establish or assign one or more safe-school officers at each school facility within the district which will impact the school budget. However, the impact will be offset by the allocation from the state for the school security in the year 2019. The student enrollment and the funding from the state of Florida is expected to remain steady in the year 2019 compared to 2018.

Requests for Information

This financial report is designed to provide a general overview of South Tech Charter 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 Charter Academy, Inc.; 1300 S.W. 30th Avenue, Boynton Beach, FL 33437.

BASIC FINANCIAL STATEMENTS

South Tech Charter Academy, Inc.
Statement of Net Position
June 30, 2018

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 1,740,780
Due from government agencies	120,180
Due from related party	99,961
Prepaid expenses	<u>155,352</u>
Total current assets	<u>2,116,273</u>
Noncurrent Assets:	
Note receivable	27,702
Capital assets, net of accumulated depreciation	<u>927,134</u>
Total noncurrent assets	<u>954,836</u>
Total assets	<u>3,071,109</u>
Deferred Outflows of Resources:	
Deferred pension outflows	<u>2,402,595</u>
Total assets and deferred outflows	<u>5,473,704</u>
Current Liabilities:	
Accounts payable	13,811
Accrued payroll and related taxes	<u>438,606</u>
Total current liabilities	<u>452,417</u>
Noncurrent Liabilities:	
Compensated absences payable	367,796
Net pension liability	<u>4,713,687</u>
Total noncurrent liabilities	<u>5,081,483</u>
Total liabilities	<u>5,533,900</u>
Deferred Inflows of Resources:	
Deferred pension inflows	<u>526,168</u>
Total liabilities and deferred inflows	<u>6,060,068</u>
Net Position (deficit):	
Net investment in capital assets	927,134
Unrestricted (deficit)	<u>(1,513,498)</u>
Total net position (deficit)	\$ <u><u>(586,364)</u></u>

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

South Tech Charter Academy, Inc.
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		Governmental Activities
		Capital	Operating	Net Revenue
	Expenses	Grants and Contributions	Grants and Contributions	(Expense) and Change in Net Position
Functions/Programs:				
Governmental activities:				
Instruction	\$ 6,250,311	\$ -	\$ 951,223	\$ (5,299,088)
Pupil personnel services	710,263	-	-	(710,263)
Instructional staff training	444,922	-	-	(444,922)
Instructional-related technology	14,798	-	-	(14,798)
Board expenditures	128,754	-	-	(128,754)
General administration	305,527	-	-	(305,527)
School administration	695,367	-	-	(695,367)
Fiscal services	179,877	-	-	(179,877)
Central services	142,741	-	-	(142,741)
Student transportation services	615,334	-	-	(615,334)
Operation and maintenance of plant	2,201,093	-	1,495,903	(705,190)
Administrative technology services	142,102	-	-	(142,102)
Total governmental activities	\$ <u>11,831,089</u>	\$ <u>-</u>	\$ <u>2,447,126</u>	<u>(9,383,963)</u>
General revenues:				
FTE nonspecific revenues				8,309,109
Contributions and other revenue				<u>919,740</u>
Total general revenues				<u>9,228,849</u>
Change in net position				(155,114)
Net position (deficit), July 1, 2017				<u>(431,250)</u>
Net position (deficit), June 30, 2018				\$ <u>(586,364)</u>

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

South Tech Charter Academy, Inc.
Balance Sheet - Governmental Funds
June 30, 2018

	General Fund	Special Revenue Fund	Total
Assets:			
Cash and cash equivalents	\$ 1,740,780	\$ -	\$ 1,740,780
Due from government agencies	-	120,180	120,180
Due from related party	99,961	-	99,961
Due from special revenue fund	120,180	-	120,180
Note receivable	27,702	-	27,702
Prepaid expenditures	155,352	-	155,352
Total assets	\$ <u>2,143,975</u>	\$ <u>120,180</u>	\$ <u>2,264,155</u>
Liabilities:			
Accounts payable	\$ 13,811	\$ -	\$ 13,811
Accrued liabilities	438,606	-	438,606
Due to general fund	-	120,180	120,180
Total liabilities	<u>452,417</u>	<u>120,180</u>	<u>572,597</u>
Fund Balances:			
Nonspendable for prepaid expenditures and note receivable	183,054	-	183,054
Assigned - school-based student activity organizations	193,199	-	193,199
Unassigned	<u>1,315,305</u>	<u>-</u>	<u>1,315,305</u>
Total fund balances	<u>1,691,558</u>	<u>-</u>	<u>1,691,558</u>
Total liabilities and fund balances	\$ <u>2,143,975</u>	\$ <u>120,180</u>	\$ <u>2,264,155</u>

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

South Tech Charter Academy, Inc.
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2018

Total Fund Balances - Governmental Funds	\$ 1,691,558
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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	\$ 1,801,026	
Accumulated depreciation	<u>(873,892)</u>	927,134

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

Deferred outflows, relating to the net pension liability	2,402,595
Deferred inflows, relating to the net pension liability	(526,168)

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

Compensated absences	(367,796)	
Net pension liability	<u>(4,713,687)</u>	<u>(5,081,483)</u>

Net Position (Deficit) of Governmental Activities	\$ <u>(586,364)</u>
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The accompanying notes to basic financial statements are an integral part of these statements.

South Tech Charter Academy, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Special Revenue Fund	Total
Revenues:			
State sources	\$ 8,309,109	\$ -	\$ 8,309,109
Federal sources	-	951,223	951,223
Local sources	2,415,643	-	2,415,643
Total revenues	10,724,752	951,223	11,675,975
Expenditures:			
Instruction	5,460,257	402,762	5,863,019
Pupil personnel services	583,194	94,082	677,276
Instructional staff training	2,190	435,249	437,439
Instructional-related technology	14,798	-	14,798
Board expenditures	126,081	-	126,081
General administration	296,983	-	296,983
School administration	661,364	-	661,364
Fiscal services	153,357	17,380	170,737
Central services	139,671	-	139,671
Student transportation services	613,584	1,750	615,334
Operation and maintenance of plant	2,197,186	-	2,197,186
Administrative technology services	135,491	-	135,491
Capital outlay	26,852	-	26,852
Total expenditures	10,411,008	951,223	11,362,231
Net changes in fund balances	313,744	-	313,744
Fund Balances, July 1, 2017	1,377,814	-	1,377,814
Fund Balances, June 30, 2018	\$ 1,691,558	\$ -	\$ 1,691,558

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

**South Tech Charter Academy, Inc.
Reconciliation of the Statement of Revenues,
Expenditures and Change in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018**

Change in Fund Balances - Governmental Funds \$ 313,744

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	\$ 26,852	
Provision for depreciation	<u>(115,094)</u>	(88,242)

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

Change in deferred outflows	850,051
Change in deferred inflows	(370,586)

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	(64,530)
Change in the net pension liability	<u>(795,551)</u>

Change in Net Position of Governmental Activities \$ (155,114)

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

Note 1 - Organization and Operations

South Tech Charter Academy (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 2004 and offers classes for grades nine through twelve in the City of Boynton Beach, Florida. One thousand ninety nine (1,099) students were enrolled in classes when the school year ended June 30, 2018.

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, 2019, and may be renewed in increments of one year by mutual written agreement between the School and the District. 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 financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

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.

Note 2 - Summary of Significant Accounting Policies (continued)

Fund financial statements: Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School 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 measurable 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 transactions 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 recorded in the accounting system including reimbursement receivables from award grantor agency, 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 \$ 750 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:

Leasehold improvements	10-30 years
Audio visual and computer software	5-10 years
Furniture and equipment	5-10 years
Vehicles	8-10 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 net 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, 2018, the School had deferred outflows of \$ 2,402,595, which is related to the net pension liability.

In addition to liabilities, the statement of net 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, 2018, the School had deferred inflows of \$ 526,168, 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 a department of a nonprofit corporation whose revenue is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic 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 through September 25, 2018, 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, 2018. 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 supplemental information.

Note 4 - Deposits

At June 30, 2018 the total carrying amount of the School's cash balances was \$ 1,740,780. The bank balance at local depositories was \$ 1,752,943.

State statutes 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, 2018.

Note 5 - Notes Receivable

The School had a note receivable from South Tech Preparatory Academy, Inc. ("STP") (Note 8) for the amount of \$ 167,400 that was received in full during the year ended June 30, 2018.

The School previously entered into a note receivable from South Tech Success Center, Inc. ("SSC") (Note 8). This note provided up to \$ 350,000 to SSC to fund start-up operations. The note bears no interest and all outstanding principal is due and payable on June 30, 2021. The School previously advanced \$ 27,393 and advanced an additional \$ 309 on the note during the year. The outstanding balance of the note at June 30, 2018 was \$ 27,702.

Note 6 - Capital Assets

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

	Balance at July 1, 2017	Additions	Deletions	Balance at June 30, 2018
Capital assets, being depreciated:				
Leasehold improvements	\$ 941,650	\$ -	\$ -	\$ 941,650
Audio visual and computer software	417,013	-	-	417,013
Furniture and equipment	395,841	26,852	-	422,693
Vehicles	19,670	-	-	19,670
Total capital assets, being depreciated	1,774,174	26,852	-	1,801,026
Accumulated depreciation:				
Leasehold improvements	91,026	35,566	-	126,592
Audio visual and computer software	333,370	49,879	-	383,249
Furniture and equipment	320,866	28,008	-	348,874
Vehicles	13,536	1,641	-	15,177
Total accumulated depreciation	758,798	115,094	-	873,892
Net capital assets	\$ 1,015,376	\$ (88,242)	\$ -	\$ 927,134

The provision for depreciation for the year ended June 30, 2018 amounted to \$ 115,094, of which \$ 103,585 was allocated to instruction and \$ 11,509 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 7 - 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 required to conduct "single audits" when the required threshold, which is \$ 750,000 for both federal and state financial assistance, is met. The School exceeded the federal threshold and thus a single audit is required under the Uniform Guidance.

Note 8 - Related Party Transactions

The School is related to STP through common board members. STP began operations July 2013. The Schools previously entered into an agreement to provide short term financing to assist with STP's startup which were outstanding between the Schools and was paid in full during the year ended June 30, 2018 (Note 5). The School also received grant funding of \$ 283,890 from the State of Florida Department of Education that was passed through to STP for its use. In addition, at June 30, 2018, the school has a receivable balance from STP in the amount of \$ 99,961, which represents reimbursement of certain shared expenditures.

Note 8 - Related Party Transactions (continued)

The School is also related to SSC through common board members. SSC is expected to begin operations in August 2019. The Schools entered into an agreement to provide short term financing to assist with SSC's start up. The outstanding balance of the financing agreement at June 30, 2018 was \$ 27,702 (Note 5).

Note 9 - Leases

The School leases facilities for its operations under an agreement with Palm Beach County. The lease agreement became effective July 1, 2004 and expires on June 30, 2019, concurrent with the charter agreement. The agreement provides that the School pays \$ 1 for the use of the County's facilities. The School recorded an in-kind donation and respective rent expense in the amount of approximately \$ 124,700 per month, based on a fair value of \$ 9.31 per square foot. Total in-kind revenue and expense in connection with the facility lease amounted to approximately \$ 1,495,900 for the year ended June 30, 2018.

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 and/or FRS 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.

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.

Note 10 - Florida Retirement System (continued)

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.

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 - 7.92%; Special Risk Administrative Support - 34.63%; Special Risk - 23.27%; Senior Management Service - 22.71%; Elected Officers' - 45.50%; and DROP participants - 13.26%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods from July 1, 2017 through June 30, 2018.

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.

Benefits Provided - For the fiscal year ended June 30, 2018, 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.

Note 10 - Florida Retirement System (continued)

Contributions - The HIS Plan is funded by required contributions from FRS participating employer's 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, 2018, the HIS contribution for the period from July 1, 2017 through June 30, 2018 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2018, the School reported liabilities of \$ 2,878,078 for its proportionate share of the FRS Plan's net pension liability and \$ 1,835,609 for the HIS Plan's net pension liability for a total net pension liability of \$ 4,713,687. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The School's proportion of the net pension liability was based on a projection of the School's 2017-18 fiscal year contributions relative to the 2017-18 fiscal year contributions of all participating members. At June 30, 2017, the School's proportion was 0.00973003% for the FRS plan and 0.01716585% for the HIS plan, which was an increase of 0.00138953% and 0.00161683%, respectively from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$ 224,341 for the FRS Plan and \$ 91,745 for the HIS Plan for a total pension expense of \$ 316,086.

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

	Deferred Outflow of Resources		
	FRS Plan	HIS Plan	Total
Differences between expected and actual experience	\$ 257,042	\$ -	\$ 257,042
Changes of assumptions	975,671	242,961	1,218,632
Net difference between projected and actual earnings on pension plan investments	-	1,052	1,052
Changes in proportion and differences between School contributions and proportionate share of contributions	291,591	268,401	559,992
School contributions subsequent to the measurement date	<u>278,612</u>	<u>87,265</u>	<u>365,877</u>
Total	<u>\$ 1,802,916</u>	<u>\$ 599,679</u>	<u>\$ 2,402,595</u>

Note 10 - Florida Retirement System (continued)

	Deferred Inflows of Resources		
	FRS Plan	HIS Plan	Total
Differences between expected and actual experience	\$ 19,272	\$ 3,414	\$ 22,686
Changes of assumptions	-	159,858	159,858
Net difference between projected and actual earnings on pension plan investments	242,437	-	242,437
Changes in proportion and differences between School contributions and proportionate share of contributions	59,801	41,386	101,187
Total	\$ 321,510	\$ 204,658	\$ 526,168

Deferred outflows of resources related to the Pension Plan, totaling \$ 365,877 related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period ending June 30, 2019.

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:

Year Ended June 30:	FRS Plan	HIS Plan	Total
2019	\$ 182,168	\$ 70,575	\$ 252,743
2020	\$ 402,632	\$ 70,390	\$ 473,022
2021	\$ 271,860	\$ 70,301	\$ 342,161
2022	\$ 71,902	\$ 50,208	\$ 122,110
2023	\$ 198,393	\$ 41,736	\$ 240,129
Thereafter	\$ 75,839	\$ 4,546	\$ 80,385

Actuarial Assumptions - The Florida Retirement System Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of both pension plans pursuant to section 216.136 (10), Florida Statutes. The Pension Plan's valuation is performed annually. The HIS Plan has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Plan 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 Plan were based on certain results of the most recent experience study for the Pension Plan. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Note 10 - Florida Retirement System (continued)

	FRS Plan	HIS Plan
Inflation	2.60%	2.60%
Salary increases	3.25%, average, including inflation	3.25%, average, including inflation
Investment rate of return	7.10%, net of pension plan investment expense, including inflation	N/A
Municipal bond rate	N/A	3.58%

Long-term Expected Rate of Return - 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:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed income	18.0%	4.5%	4.4%	4.2%
Global equity	53.0%	7.8%	6.6%	17.0%
Real estate	10.0%	6.6%	5.9%	12.8%
Private equity	6.0%	11.5%	7.8%	30.0%
Strategic investments	12.0%	6.1%	5.6%	9.7%
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 7.10% for the FRS Plan. 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 the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the total pension liability was 3.58% for the HIS Plan. In general, the discount rate for calculating the HIS Plan's 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 Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the municipal bond rate of 3.58% was used to determine the total pension liability. The Bond Buyer General Obligation

Note 10 - Florida Retirement System (continued)

Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate

- The following table represents sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis, below, shows the impact of the School's proportionate share of the net pension liability if the discount rate was 1.00% lower or 1.00% higher than the current discount rate at June 30, 2017.

	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
School's proportionate share of the net pension liability for FRS Plan	\$ <u>5,209,147</u>	\$ <u>2,878,078</u>	\$ <u>942,756</u>
	1% Decrease 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
School's proportionate share of the net pension liability for HIS Plan	\$ <u>2,094,494</u>	\$ <u>1,835,609</u>	\$ <u>1,619,684</u>

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 SUPPLEMENTAL INFORMATION

South Tech Charter Academy, Inc.
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:				
State sources	\$ 8,042,732	\$ 8,175,348	\$ 8,309,109	\$ 133,761
Local sources	<u>616,950</u>	<u>618,450</u>	<u>2,415,643</u>	<u>1,797,193</u>
Total revenues	<u>8,659,682</u>	<u>8,793,798</u>	<u>10,724,752</u>	<u>1,930,954</u>
 Expenditures:				
Instruction	5,082,361	5,097,610	5,460,257	(362,647)
Pupil personnel services	620,947	629,382	583,194	46,188
Instructional staff training	6,300	5,000	2,190	2,810
Instructional-related technology	137,500	139,000	14,798	124,202
Board expenditures	87,185	137,954	126,081	11,873
General administration	188,942	258,665	296,983	(38,318)
School administration	557,385	568,816	661,364	(92,548)
Fiscal services	147,900	168,523	153,357	15,166
Central services	166,100	165,220	139,671	25,549
Student transportation services	600,000	630,000	613,584	16,416
Operation and maintenance of plant	723,416	791,086	2,197,186	(1,406,100)
Administrative technology services	126,141	128,413	135,491	(7,078)
Capital outlay	<u>-</u>	<u>-</u>	<u>26,852</u>	<u>(26,852)</u>
Total expenditures	<u>8,444,177</u>	<u>8,719,669</u>	<u>10,411,008</u>	<u>(1,691,339)</u>
 Net change in fund balance	<u>\$ 215,505</u>	<u>\$ 74,129</u>	<u>\$ 313,744</u>	<u>\$ 239,615</u>

South Tech Charter Academy, Inc.
 Budgetary Comparison Schedule - Special Revenue Fund
 For the Year Ended June 30, 2018

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance</u>
Revenues:				
Title I funds	\$ 330,000	\$ 345,240	\$ 509,869	\$ 164,629
IDEA grant revenues	238,000	234,000	346,250	112,250
Title II funds	17,000	28,500	57,246	28,746
Perkins grant	19,129	19,253	18,680	(573)
Title IV funds	-	8,525	10,400	1,875
Title 1, Part C	8,400	6,060	8,778	2,718
	<u>612,529</u>	<u>641,578</u>	<u>951,223</u>	<u>309,645</u>
Total revenues				
Expenditures:				
Instruction	259,353	271,655	402,762	(131,107)
Pupil personnel services	60,583	63,456	94,082	(30,626)
Instructional staff training	280,274	293,565	435,249	(141,684)
Fiscal services	11,192	11,722	17,380	(5,658)
Student transportation services	1,127	1,180	1,750	(570)
	<u>612,529</u>	<u>641,578</u>	<u>951,223</u>	<u>(309,645)</u>
Total expenditures				
Net change in fund balance	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
South Tech Charter Academy, Inc.'s proportion of the net pension liability	0.00974409%	0.00836097%	0.00834050%	0.00973003%
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability	\$ 594,532	\$ 1,136,874	\$ 2,105,972	\$ 2,878,078
South Tech Charter Academy, Inc.'s covered-employee payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll	11.12%	21.71%	36.92%	56.29%
Plan fiduciary net position as a percentage of total pension liability	96.09%	92.00%	84.88%	83.89%

* 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 Charter Academy, Inc.
Schedule of Proportionate Share of Net Pension Liability
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years *
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
South Tech Charter Academy, Inc.'s proportion of the net pension liability	0.01633962%	0.01399307%	0.01554903%	0.01716585%
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability	\$ 1,527,795	\$ 1,573,434	\$ 1,812,164	\$ 1,835,609
South Tech Charter Academy, Inc.'s covered-employee payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.58%	30.05%	31.77%	35.90%
Plan fiduciary net position as a percentage of total pension liability	0.99%	0.50%	0.97%	1.64%

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 213,437	\$ 203,848	\$ 203,823	\$ 253,297
Contributions in related to the contractually required contribution	\$ <u>(213,437)</u>	\$ <u>(203,848)</u>	\$ <u>(203,823)</u>	\$ <u>(253,297)</u>
Contribution deficiency (excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
South Tech Charter Academy, Inc.'s covered-employee payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666
Contributions as a percentage of covered payroll	3.99%	3.89%	3.57%	4.95%

- * 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 Charter Academy, Inc.
Schedule of Contributions
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years *
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$ 55,974	\$ 53,490	\$ 79,698	\$ 90,846
Contributions in related to the contractually required contribution	\$ <u>(55,974)</u>	\$ <u>(53,490)</u>	\$ <u>(79,698)</u>	\$ <u>(90,846)</u>
Contribution deficiency (excess)	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>
South Tech Charter Academy, Inc.'s covered-employee payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666
Contributions as a percentage of covered payroll	1.05%	1.02%	1.40%	1.78%

- * 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 Charter Academy, Inc.
Schedule of Investment Returns
Florida Retirement System Pension Plan
Last 10 Fiscal Years *
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted annual rate of return, net of investment expenses	17.57%	3.77%	0.57%	13.59%

- * 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 Charter Academy, Inc.
Schedule of Investment Returns
Retiree Health Insurance Subsidy Program
Last 10 Fiscal Years *
(Unaudited)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Annual money-weighted annual rate of return, net of investment expenses	17.57%	3.77%	0.57%	13.59%

- * 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.

COMPLIANCE SECTION

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 Tech Charter 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 Tech Charter Academy, Inc. (the "School") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 25, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control 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
September 25, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited South Tech Charter Academy, Inc.'s, (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

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

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

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 25, 2018

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

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

Report on the Financial Statements

We have audited the financial statements of South Tech Charter Academy, Inc. (the "School") as of and for the year ended June 30, 2018 and have issued our report thereon dated September 25, 2018.

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; the Audit Requirements for Federal Awards (Uniform Guidance); and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance and Schedule of Findings and Question Costs. Disclosures in those reports and schedule, which are dated September 25, 2018, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial 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 Charter Academy, Inc.

Financial Condition and Management

Section 10.854(1)(e)2., Rules of the Auditor General, requires us to apply appropriate procedures and communicate 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.

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.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, requires us to apply appropriate procedures and communicate 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.

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 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
September 25, 2018

**South Tech Charter Academy, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Federal Agency/Federal Program	CFDA Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Federal Agency Name:				
Indirect Programs:				
U.S. Department of Education - Passed through Florida Department of Education -				
Title I Grants to Local Educational Agencies	84.010	50D-2128B-8CB01	\$ 509,869	\$ 170,043
Special Education Grants to States	84.027	50D-2638B-8CB01	346,250	96,467
Career and Technical Education - Basic Grants to States	84.048	50D-1618A-8CS01	18,680	-
Improving Teacher Quality State Grants	84.367	50D-2248B-8CT01	57,246	14,097
Education of Migratory Children	84.011	50D-2178B-8CF01	8,778	750
Student Support and Academic Enrichment Grants	84.424	50D-2418A-8C001	10,400	2,533
Total U.S. Department of Education			951,223	283,890
Total expenditures of Federal awards			\$ 951,223	\$ 283,890

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of South Tech Charter Academy, Inc. (the "School") under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Contingency

The grant revenue amounts received are subject to audit and adjustment. If any expenditures or expenses are disallowed by the grantor agencies as a result of such an audit, any claim for reimbursement to the grantor agencies would become a liability of the School. In the opinion of management, all grant expenditures are in compliance with the terms of the grant agreements and applicable Federal and state laws and other applicable regulations.

Note 4 - Indirect Cost Rate

The School did not elect to use the 10% de minimis indirect cost rate.

Note 5 - Related Party

As discussed in Note 8 of the financial statements, the School received grant funding of \$ 283,890 from the State of Florida Department of Education that was passed through to South Tech Preparatory Academy, which is a related party to the School.

**South Tech Charter Academy, Inc.
Schedule of Findings and Questioned Costs Federal Award Programs
For the Year Ended June 30, 2018**

A. Summary of Auditor's Results

1. The auditor's report dated September 25, 2018 expresses an unmodified opinion on the financial statements of South Tech Charter Academy, Inc.
2. No material weaknesses relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of South Tech Charter Academy, Inc. were disclosed during the audit.
4. No material weaknesses relating to the audit of the major federal programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major Federal programs for South Tech Charter Academy, Inc. expresses an unmodified opinion.
6. There are no audit findings relative to the major Federal programs for South Tech Charter Academy, Inc. reported in Part C of this schedule.
7. The programs tested as major programs are as follows:

<u>Federal Award Program</u>	<u>CDFA Number</u>
Department of Education - Title I Grants to Local Educational Agencies	84.010

8. The threshold for distinguishing Type A and Type B programs was \$ 750,000.
9. South Tech Charter Academy, Inc. was not determined to be a low risk auditee.

B. Findings – Financial Statement Audit

No matters were reported.

C. Findings and Questioned Costs – Major Federal Award Programs

No matters were reported.

D. Other Issues

1. A separate management letter was not issued.
2. A summary schedule of prior audit findings is not required because there were no prior audit findings related to federal programs.
3. No corrective action plan is required because there were no findings reported under the Uniform Guidance.