

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
POLK COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

**JUNE 30, 2018**



## CONTENTS

	<b><u>Page</u></b>
<b>Management's Discussion and Analysis</b>	1 – 8
<b>Independent Auditor's Report on Basic Financial Statements and Supplementary Information</b>	9 – 11
<b>Basic Financial Statements:</b>	
Statement of Net Position	12
Statement of Activities	13
Balance Sheet – Governmental Funds	14
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Fiduciary Assets and Liabilities	18
Notes to Financial Statements	19 – 36
<b>Required Supplementary Information:</b>	
Budgetary Comparison Schedule – General Fund	37
Budgetary Comparison Schedule – Special Revenue Fund	38
Schedule of Proportionate Share of Net Pension Liability (Asset)	39
Schedule of Contributions – Pension Plans	40
<b>Schedule of Expenditures of Federal Awards</b>	41
<b>Note to Schedule of Expenditures of Federal Awards</b>	42
<b>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></b>	43 – 44
<b>Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance</b>	45 – 46
<b>Schedule of Findings and Questioned Costs</b>	47 – 48
<b>Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers:</i></b>	
Management Letter	49 – 51

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of The Schools of McKeel Academy, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2018. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's total net position increased as compared to the prior year.
- For the fiscal year ended June 30, 2018, the School's revenues exceeded expenses by \$1,242,592, which is an increase from the prior year when revenues exceeded expenses by \$562,362.
- Overall, revenues increased by approximately \$1,968,000, which was an 8% increase from the prior year.
- Overall, expenses increased by approximately \$1,288,000, which was a 5% increase from the prior year.
- Total assets and deferred outflows of resources were \$23,785,760, and total liabilities and deferred inflows of resources were \$22,089,594, resulting in net position of \$1,696,166 as of June 30, 2018.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.
  - The *fiduciary fund* financial statement provides information about the financial relationships in which the School acts solely as an agent for the benefit of others.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the following information required by the Uniform Guidance: schedule of expenditures of federal awards and accompanying note, independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and the schedule of findings and questioned costs. In addition, it includes 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Fund</b>
Scope	Entire School (except the fiduciary fund)	The activities of the School that are not proprietary or fiduciary	Instances in which the School administers resources on behalf of someone else
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds	Statement of fiduciary assets and liabilities
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

## **MANAGEMENT'S DISCUSSION AND ANALYSIS** (continued)

### **Government-wide Financial Statements**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base, the quality of the education and the safety of the School.

The government-wide financial statements of the School are generally divided into three categories:

- Governmental Activities – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School currently has two types of funds:

- Governmental Funds – most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

- Fiduciary Funds – The School is the agent, or fiduciary, for assets that belong to others, such as student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the government-wide financial statements because the School cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's combined net position at June 30, 2018 and 2017 is summarized as follows – see table below.

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
Current and other assets	\$6,449,745	\$ 5,004,051	29%
Capital assets, net	10,450,872	10,417,129	0%
Deferred outflows of resources	6,885,143	8,248,270	-17%
Total assets and deferred outflows	<u>23,785,760</u>	<u>23,669,450</u>	<u>0%</u>
Current and other liabilities	1,953,633	1,960,259	0%
Long-term liabilities	17,135,946	17,192,349	0%
Deferred inflows of resources	3,000,015	4,063,268	-26%
Total liabilities and deferred inflows	<u>22,089,594</u>	<u>23,215,876</u>	<u>-5%</u>
Net position:			
Net investment in capital assets	4,960,582	4,433,881	12%
Restricted	283,293	255,374	11%
Unrestricted	<u>(3,547,709)</u>	<u>(4,235,681)</u>	<u>16%</u>
Total net position	<u>\$1,696,166</u>	<u>\$ 453,574</u>	<u>274%</u>

Deferred outflows of resources, long-term liabilities and deferred inflows of resources changed due to the remeasurement of the pension liability. Current liabilities changed due to the timing of payments at year-end. Net investment in capital assets is the result of capital assets, net reduced by related borrowings. Current and other assets and total net position changed due to the current year operating surplus and the activity noted above.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

**Change in Net Position**

The School's total revenues increased by 8% to \$26,058,050, and the total cost of all programs and services increased by 5% to \$24,815,458 – see table below.

	<b>Governmental Activities</b>		<b>Increase</b>
	<b>2018</b>	<b>2017</b>	<b>(Decrease)</b>
Revenues:			
Federal sources passed through local school district	\$1,141,370	\$ 855,666	33%
State and local sources	22,800,208	21,070,877	8%
Contributions and other revenue	2,116,472	2,163,254	-2%
Total revenues	<u>26,058,050</u>	<u>24,089,797</u>	<u>8%</u>
Expenses:			
Instruction	14,358,618	13,488,267	6%
Student support	616,996	631,596	-2%
Instructional media	119,093	114,014	4%
Instructional staff training	205,352	338,932	-39%
Instruction-related technology	572,829	485,644	18%
Board	71,059	73,410	-3%
General administration	65,241	64,494	1%
School administration	1,728,240	1,691,354	2%
Fiscal services	388,758	392,851	-1%
Food services	1,634,992	1,520,161	8%
Student transportation	1,399,928	1,259,435	11%
Operation of plant	2,899,122	2,789,220	4%
Maintenance of plant	283,147	187,968	51%
Community services	222,201	212,609	5%
Interest	249,882	277,480	-10%
Total expenses	<u>24,815,458</u>	<u>23,527,435</u>	<u>5%</u>
Change in net position	<u>\$1,242,592</u>	<u>\$ 562,362</u>	<u>121%</u>

Revenue increased overall primarily due to increases in enrollment.

Instruction and student support changed due to increased staffing and staff bonuses paid in the current year. Instructional staff training changed due to fewer training and professional development opportunities for staff. Instruction-related technology changed due to increased staffing and the purchase of technology supplies. Student transportation changed due to increased staffing. Maintenance of plant increased due to the replacement of flooring at one of the School's facilities.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(continued)**

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

As the School completed the year, its governmental funds reported a combined fund balance of \$4,496,112. Overall, revenues and expenditures changed for the same reasons described above.

**General Fund Budgetary Highlights**

Over the course of the year, the School revised its budget several times to account for the changes in student enrollment and resulting increases in appropriations.

For the year ended June 30, 2018, actual general fund revenues were approximately \$103,000 above the final budget, which represents a budget variance of less than 1%.

Actual general fund expenditures were approximately \$467,000 below the final budget, which represents a budget variance of 2%.

Actual other financing sources of approximately \$290,000 were not included in the final budget.

**Special Revenue Fund Budgetary Highlights**

For the year ended June 30, 2018, actual special revenue fund revenues and expenditures were not significantly different from the final budgeted amounts.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The School's investment in capital assets at the end of fiscal 2018 amounts to \$10,450,872 (net of accumulated depreciation). See table below:

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2018</b>	<b>2017</b>	
Construction in progress	\$ 38,302	\$ 414,680	-91%
Land	607,178	588,178	3%
Land improvements	561,010	524,743	7%
Building and improvements	8,792,422	8,286,574	6%
Furniture, fixtures and equipment	3,435,188	3,143,958	9%
Vehicles	2,499,072	2,167,602	15%
Less: accumulated depreciation	(5,482,300)	(4,708,606)	-16%
Total capital assets	<u>\$ 10,450,872</u>	<u>\$ 10,417,129</u>	<u>0%</u>

The decrease in construction in progress and the increase in building and improvements is due to a facility expansion that was completed and placed in service in the current year.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

This year's major capital asset additions include the following:

- Five buses - \$519,000
- iPads and computers - \$200,000
- Copier - \$52,000

This year's major capital asset disposals include the following:

- Two buses - \$186,000

More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

### **Long-term Debt**

As of June 30, 2018, the School had \$5,490,290 in long-term debt outstanding consisting of capital leases and notes payable. This year's major long-term debt additions include the following:

- Capital lease of \$52,000 for a copier
- Capital lease of \$171,000 for iPads

Scheduled payments reduced the amount outstanding in the current year. More detailed information about the School's long-term liabilities is presented in Note 6 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2019:

- Projected increase in student population
- Projected salary increases

Amounts available for appropriation in the general fund are approximately \$23,337,000, a decrease of less than 1% from the final 2018 amount of \$23,527,803.

Budgeted expenditures are expected to be approximately \$23,226,000, an increase of 4% from the final 2018 amount of \$22,393,097. Expenditures are expected to increase overall due to an increase in the number of students the School serves. The School has added no major new programs to the fiscal 2019 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2019.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**(continued)**

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 303 E. Peachtree Street, Lakeland, Florida, 33801.

## **INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Board of Directors of The Schools of McKeel Academy, Inc., a Charter School  
and Component Unit of the District School Board of Polk County, Florida

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

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

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. as of June 30, 2018, and the respective changes in financial position thereof 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 1 – 8, the budgetary comparison information on pages 37 – 38 and the pension information on pages 39 – 40 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 accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 28, 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 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.



Winter Park, Florida  
September 28, 2018

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,528,640
Certificates of deposit	576,058
Accounts receivable	92,679
Due from agency fund	41,611
Other assets	210,757
Capital assets:	
Construction in progress	38,302
Land	607,178
Land improvements	561,010
Building and improvements	8,792,422
Furniture, fixtures and equipment	3,435,188
Vehicles	2,499,072
Less accumulated depreciation	<u>(5,482,300)</u>
Total capital assets, net	<u>10,450,872</u>
Total assets	<u>16,900,617</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	<u>6,885,143</u>
Total assets and deferred outflows of resources	<u><u>\$ 23,785,760</u></u>
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 1,944,929
Unearned revenue	8,704
Long-term liabilities:	
Due within one year	1,559,700
Due in more than one year	<u>15,576,246</u>
Total liabilities	<u>19,089,579</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows of resources	<u>3,000,015</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,960,582
Restricted for:	
Food service	283,293
Unrestricted	<u>(3,547,709)</u>
Total net position	<u>1,696,166</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 23,785,760</u></u>

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

		Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental activities:	<b>Expenses</b>					
Instruction	\$ 14,358,618	\$ 683,236	\$ 189,353	\$ -	\$ (13,486,029)	\$ (13,486,029)
Student support	616,996	-	-	-	(616,996)	(616,996)
Instructional media	119,093	-	-	-	(119,093)	(119,093)
Instructional staff training	205,352	-	108,098	-	(97,254)	(97,254)
Instruction-related technology	572,829	-	-	-	(572,829)	(572,829)
Board	71,059	-	-	-	(71,059)	(71,059)
General administration	65,241	-	-	-	(65,241)	(65,241)
School administration	1,728,240	-	-	-	(1,728,240)	(1,728,240)
Fiscal services	388,758	-	-	-	(388,758)	(388,758)
Food services	1,634,992	782,213	843,919	-	(8,860)	(8,860)
Student transportation	1,399,928	151,618	-	-	(1,248,310)	(1,248,310)
Operation of plant	2,899,122	-	-	-	(2,899,122)	(2,899,122)
Maintenance of plant	283,147	-	-	-	(283,147)	(283,147)
Community services	222,201	342,331	-	-	120,130	120,130
Interest	249,882	-	-	-	(249,882)	(249,882)
Total primary government	<u>\$ 24,815,458</u>	<u>\$ 1,959,398</u>	<u>\$ 1,141,370</u>	<u>\$ -</u>	<u>(21,714,690)</u>	<u>(21,714,690)</u>
General revenues:						
State and local sources					22,800,208	22,800,208
Contributions and other revenue					157,074	157,074
Total general revenues					<u>22,957,282</u>	<u>22,957,282</u>
Change in net position					1,242,592	1,242,592
Net position at beginning of year					453,574	453,574
Net position at end of year					<u>\$ 1,696,166</u>	<u>\$ 1,696,166</u>

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2018**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,253,919	\$ 274,721	\$ -	\$ 5,528,640
Certificates of deposit	576,058	-	-	576,058
Accounts receivable	42,114	23,490	27,075	92,679
Due from other governmental funds	41,993	-	-	41,993
Due from agency fund	41,611	-	-	41,611
Other assets	210,757	-	-	210,757
Total assets	<u>\$ 6,166,452</u>	<u>\$ 298,211</u>	<u>\$ 27,075</u>	<u>\$ 6,491,738</u>
<b>LIABILITIES</b>				
Accounts payable and accrued expenditures	\$ 1,944,929	\$ -	\$ -	\$ 1,944,929
Due to general fund	-	14,918	27,075	41,993
Unearned revenue	8,704	-	-	8,704
Total liabilities	<u>1,953,633</u>	<u>14,918</u>	<u>27,075</u>	<u>1,995,626</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Other assets	210,757	-	-	210,757
Restricted for:				
Food service	-	283,293	-	283,293
Unassigned	4,002,062	-	-	4,002,062
Total fund balances	<u>4,212,819</u>	<u>283,293</u>	<u>-</u>	<u>4,496,112</u>
Total liabilities and fund balances	<u>\$ 6,166,452</u>	<u>\$ 298,211</u>	<u>\$ 27,075</u>	<u>\$ 6,491,738</u>

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



**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2018**

<b>Total fund balances - total governmental funds</b>	<b>\$ 4,496,112</b>
-------------------------------------------------------	---------------------

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$15,933,172, and the accumulated depreciation is \$5,482,300.	10,450,872
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Pension related deferred outflows of resources	6,885,143
Net pension liability	(10,795,791)
Pension related deferred inflows of resources	(3,000,015)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end include:

Compensated absences	(849,865)
Capital leases	(725,607)
Notes payable	<u>(4,764,683)</u>

<b>Total net position - governmental activities</b>	<b>\$ <u>1,696,166</u></b>
-----------------------------------------------------	----------------------------

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ 1,141,370	\$ -	\$ 1,141,370
State and local sources	22,260,544	-	539,664	22,800,208
Contributions and other revenue	1,267,259	782,213	-	2,049,472
Total revenues	<u>23,527,803</u>	<u>1,923,583</u>	<u>539,664</u>	<u>25,991,050</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	12,844,044	189,353	-	13,033,397
Student support	592,989	-	-	592,989
Instructional media	115,413	-	-	115,413
Instructional staff training	97,254	108,098	-	205,352
Instruction-related technology	538,815	-	-	538,815
Board	71,059	-	-	71,059
General administration	65,241	-	-	65,241
School administration	1,619,593	-	-	1,619,593
Fiscal services	367,982	-	-	367,982
Food services	-	1,598,213	-	1,598,213
Student transportation	1,264,340	-	-	1,264,340
Operation of plant	2,359,458	-	539,664	2,899,122
Maintenance of plant	249,912	-	-	249,912
Community services	222,201	-	-	222,201
Debt service:				
Principal	715,653	-	-	715,653
Interest	249,882	-	-	249,882
Other capital outlay	1,019,261	-	-	1,019,261
Total expenditures	<u>22,393,097</u>	<u>1,895,664</u>	<u>539,664</u>	<u>24,828,425</u>
Excess of revenues over expenditures	<u>1,134,706</u>	<u>27,919</u>	<u>-</u>	<u>1,162,625</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	67,000	-	-	67,000
Proceeds from capital leases	222,695	-	-	222,695
Total other financing sources	<u>289,695</u>	<u>-</u>	<u>-</u>	<u>289,695</u>
Net changes in fund balances	1,424,401	27,919	-	1,452,320
Fund balances at beginning of year	<u>2,788,418</u>	<u>255,374</u>	<u>-</u>	<u>3,043,792</u>
Fund balances at end of year	<u>\$ 4,212,819</u>	<u>\$ 283,293</u>	<u>\$ -</u>	<u>\$ 4,496,112</u>

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 1,452,320</b>
----------------------------------------------------------------	---------------------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,019,261) exceed depreciation expense (\$959,665) in the current period.	59,596
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------

In the statement of activities, the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets disposed.	(25,849)
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(133,247)
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Pension income or expense resulting from GASB 68 included in the statement of activities does not provide or require the use of current financial resources and, therefore, is not reported as a net change in fund balances in the governmental funds.	(603,186)
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.	(222,695)
-------------------------------------------------------------------------------------------------------------------------------------------------------------	-----------

Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.	715,653
--------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

<b>Change in net position of governmental activities</b>	<b><u>\$ 1,242,592</u></b>
----------------------------------------------------------	----------------------------

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**

**JUNE 30, 2018**

	<b>Agency Fund</b>
	<hr/>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 253,212
Accounts receivable	<hr/> 2,000
Total assets	<hr/> <b>\$ 255,212</b> <hr/>
 <b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 143
Due to others	213,458
Due to the school	<hr/> 41,611
Total liabilities	<hr/> <b>\$ 255,212</b> <hr/>

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Schools of McKeel 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 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of eight members. The School began when it converted from a public school to a charter school in July 1998.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Polk County, Florida (the "School Board"). The current charter is effective until June 30, 2028 and may be renewed in increments of fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be distributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

**Basis of Presentation**

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the School are generally divided into three categories:

- Governmental Activities – most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – in certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.
- Component Units – there currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – to account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources and grants that are restricted by law or administrative action to expenditure for specific purposes and to provide a single source of accountability for all funds received.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, the general and special revenue funds constitute major funds. The capital projects fund is considered non-major and is included as the other governmental fund.

Fiduciary Fund:

- Agency Fund – to account for school internal funds, which are established to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

**Cash and Cash Equivalents and Certificates of Deposit**

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. Cash deposits and certificates of deposit are held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

**Receivables**

Receivables consist of amounts due from governmental agencies for capital outlay or other programs. Allowances are reported when management estimates that accounts may be uncollectible.

**Capital Assets and Depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at their approximate fair value at the date of donation.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u><b>Years</b></u>
Land improvements	7 - 20
Buildings and improvements	3 - 40
Furniture, fixtures and equipment	3 - 20
Vehicles	3 - 10

Information relative to changes in capital assets is described in Note 3.

**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. Information relative to changes in long-term liabilities is described in Note 6.

**Long-term Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Information relative to changes in long-term liabilities is described in Note 6.

**Fund Balance Spending Policy**

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Director of Schools, Assistant Director of Operations and to the Principals. There are no minimum fund balance requirements for any of the School's funds.



**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Revenue Sources**

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 2% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying financial statements. This administrative fee is calculated on the FEFP revenue up to 500 students.

The School receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any expended amounts are reflected as restricted in the accompanying financial statements.

**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.

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to income taxes, including state income taxes.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The School assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the School’s financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold.

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and the balance sheet – governmental funds and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates

**Subsequent Events**

The School has evaluated subsequent events through September 28, 2018, the date these financial statements were available to be issued.

**Recently Issued Accounting Pronouncements**

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school’s leasing activities. The new standard is effective for the fiscal year ending June 30, 2021. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The new standard is effective for the fiscal year ending June 30, 2020. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The Company is currently evaluating the effect that implementation of the new standard will have on its financial statements.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**2 INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances as of June 30, 2018:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General fund	\$ 83,604	\$ -
Special revenue fund	-	14,918
Other non-major governmental fund	-	27,075
Agency fund	-	41,611
Total interfund	<u>\$ 83,604</u>	<u>\$ 83,604</u>

The amounts payable by the special revenue fund and the other non-major governmental fund to the general fund are to cover temporary cash shortages related to the timing of receipts.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 CHANGES IN CAPITAL ASSETS**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 414,680	\$ 182,450	\$ (558,828)	\$ 38,302
Land	588,178	19,000	-	607,178
Total capital assets not being depreciated	<u>1,002,858</u>	<u>201,450</u>	<u>(558,828)</u>	<u>645,480</u>
Capital assets being depreciated:				
Land improvements	524,743	36,267	-	561,010
Building and improvements	8,286,574	505,848	-	8,792,422
Furniture, fixtures and equipment	3,143,958	291,230	-	3,435,188
Vehicles	2,167,602	517,441	(185,971)	2,499,072
Total capital assets being depreciated	<u>14,122,877</u>	<u>1,350,786</u>	<u>(185,971)</u>	<u>15,287,692</u>
Less accumulated depreciation for:				
Land improvements	(141,198)	(27,461)	-	(168,659)
Building and improvements	(1,496,205)	(284,844)	-	(1,781,049)
Furniture, fixtures and equipment	(1,603,797)	(512,189)	-	(2,115,986)
Vehicles	(1,467,406)	(135,171)	185,971	(1,416,606)
Total accumulated depreciation	<u>(4,708,606)</u>	<u>(959,665)</u>	<u>185,971</u>	<u>(5,482,300)</u>
Capital assets being depreciated, net	<u>9,414,271</u>	<u>391,121</u>	<u>-</u>	<u>9,805,392</u>
Governmental activities capital assets, net	<u>\$ 10,417,129</u>	<u>\$ 592,571</u>	<u>\$ (558,828)</u>	<u>\$ 10,450,872</u>

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 627,566
Student support	28,518
Instructional media	3,592
Instruction-related technology	22,650
School administration	82,087
Fiscal services	15,282
Food services	37,208
Student transportation	135,171
Maintenance of plant	7,591
Total governmental activities depreciation expense	<u><u>\$ 959,665</u></u>

**4 CAMPUS FACILITY**

Title to the McKeel Academy of Technology school building and facilities and other capital assets acquired prior to July 1, 1998 remains with the District. Florida Statutes provide that the use of the McKeel Academy of Technology school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the District to the McKeel Academy of Technology or to the parents and teachers who organize the McKeel Academy of Technology. In management's opinion, the value of facilities utilized by the McKeel Academy of Technology are significant; therefore, any substantial changes in Florida Statutes related to facilities used by conversion charter schools could have a material effect on the School's operations.

**5 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2018 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Legal Matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**Risk Management Program**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

**Operating Leases**

The School leases one of its facilities under a non-cancelable operating lease that requires monthly payments of approximately \$95,000 through July 2029 and requires the School to pay insurance and other costs. The School also leased certain equipment under a non-cancelable operating lease that required monthly payments of \$1,020 and which expired in April 2018.

Aggregate remaining minimum rental commitments as of June 30, 2018 under the remaining lease is summarized as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2019	\$ 1,140,983
2020	1,140,983
2021	1,140,983
2022	1,140,983
2023	1,140,983
2024 - 2028	5,704,917
2029 - 2030	<u>1,236,065</u>
Total future minimum lease payments	<u><u>\$ 12,645,897</u></u>

Lease expense totaled approximately \$1,462,000 for the year ended June 30, 2018, of which approximately \$227,000 is included in instruction, \$81,000 is included in school administration and \$1,154,000 is included in operation of plant in the accompanying financial statements.

**Capital Lease Commitment**

In June 2018, the School entered into a capital lease agreement for computer equipment, which was delivered to the School after year end. The lease requires four annual payments of \$48,993.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**6 LONG-TERM LIABILITIES**

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

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities:					
Compensated absences	\$ 716,622	\$ 133,243	\$ -	\$ 849,865	\$ 849,865
Capital leases	998,494	222,695	(495,582)	725,607	506,740
Notes payable	4,984,754	-	(220,071)	4,764,683	203,095
Net pension liability	10,492,479	303,312	-	10,795,791	-
Governmental activities, long-term liabilities	<u>\$17,192,349</u>	<u>\$ 659,250</u>	<u>\$ (715,653)</u>	<u>\$17,135,946</u>	<u>\$ 1,559,700</u>

**Capital Leases**

The School leases a portion of its equipment under lease agreements that are classified as capital leases. The capital leases require annual or monthly payments of principal and interest at rates between 5% and 15%. The economic substance of the leases is that the School is financing the acquisition of the assets through leases, and, accordingly, they are recorded in the School's statement of net position.

Leased assets as of June 30, 2018 consist of the following:

	<b>Governmental Activities</b>
Furniture, fixtures and equipment	\$ 2,136,664
Less accumulated depreciation	(1,142,678)
	<u>\$ 993,986</u>

Future debt service requirements related to capital leases are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 506,740	\$ 41,342	\$ 548,082
2020	140,861	13,363	154,224
2021	65,341	3,780	69,121
2022	11,661	443	12,104
2023	1,004	5	1,009
	<u>\$ 725,607</u>	<u>\$ 58,933</u>	<u>\$ 784,540</u>

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Notes Payable**

Notes payable consisted of the following balances as of June 30, 2018:

Promissory note payable to a financial institution. Principal and interest payments of \$26,105 due monthly at an interest rate of 3.84%. Beginning in October 2020, principal and interest payments of \$27,134 are due monthly at an interest rate based on the weekly average yield on the United States Treasury Securities adjusted to a constant maturity of five years, as made available by the Federal Reserve Board plus a margin of 2.78% (5.5% as of June 30, 2018). A balloon payment is due in September 2025. The note is secured by one of the School's facilities and is subject to certain covenants.	\$ 4,656,522
Promissory note payable to a financial institution. Principal and interest payments of \$1,860 are due monthly at an interest rate of 4.4%. Matures in September 2019. Note is secured by a bus.	27,100
Promissory note payable to a financial institution. Principal and interest payments of \$1,822 are due monthly at an interest rate of 3.7%. Matures in February 2020. Note is secured by a bus.	35,263
Promissory note payable to a financial institution. Principal and interest payments of \$1,619 are due monthly at an interest rate of 4.0%. Matures in August 2020. Note is secured by a bus.	40,259
Promissory note payable to a financial institution. Principal and interest payments of \$482 are due monthly at an interest rate of 4.0%. Matures in November 2020. Note is secured by a truck.	5,539
Total notes payable	4,764,683
Less amount due or payable within one year	(203,095)
Amount due or payable after one year	<u>\$ 4,561,588</u>

Future debt service requirements related to notes payable are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 203,095	\$ 179,572	\$ 382,667
2020	181,494	171,764	353,258
2021	146,345	179,437	325,782
2022	147,600	178,004	325,604
2023	154,043	171,561	325,604
2024 - 2026	3,932,106	360,980	4,293,086
	<u>\$ 4,764,683</u>	<u>\$ 1,241,318</u>	<u>\$ 6,006,001</u>



**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**7 PENSION PLANS**

**Pension Plan Descriptions**

The Florida Department of Management Services, Division of Retirement ("Division"), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems ("System"). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited comprehensive annual financial report ("CAFR") on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the CAFR which is available online or by contacting the Division.

The Florida Retirement System ("FRS") Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program ("DROP") available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

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

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported by the School does not include these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	7.92%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.06% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

**Information About the Employer's Proportionate Share of the Collective Net Pension Liability**

Assumptions and Other Inputs

Actuarial assumptions for both cost sharing defined benefit plans are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. 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 total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.10%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.58% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables. The following changes in actuarial assumptions occurred in 2017:

- FRS: The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2017:

<b>School's Proportionate Share of FRS Net Pension Liability</b>			<b>School's Proportionate Share of HIS Net Pension Liability</b>		
<b>Current Discount</b>			<b>Current Discount</b>		
<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>	<b>1% Decrease</b>	<b>Rate</b>	<b>1% Increase</b>
6.10%	7.10%	8.10%	2.58%	3.58%	4.58%
\$ 12,518,151	\$ 6,916,336	\$ 2,265,547	\$ 4,426,971	\$ 3,879,455	\$ 3,423,403

The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued CAFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2017, are shown below (in thousands):

	<b>FRS</b>	<b>HIS</b>
Total pension liability	\$ 183,632,592	\$ 10,870,772
Plan fiduciary net position	(154,053,263)	(178,311)
Net pension liability	<u>\$ 29,579,329</u>	<u>\$ 10,692,461</u>
Plan fiduciary net position as a percentage of the total pension liability	83.89%	1.64%

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's valuation dated June 30, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The HIS actuarial valuation was prepared as of July 1, 2016, and update procedures were used to determine liabilities as of June 30, 2017. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2018, the School reported a liability of \$10,795,791 for its proportionate share of the net pension liabilities. The School's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ending June 30, 2013, through June 30, 2017, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense. The School's proportions are as follows:

	<b>FRS</b>	<b>HIS</b>
June 30, 2017	0.0234%	0.0363%
June 30, 2016	0.0243%	0.0374%
Change	<u>-0.0009%</u>	<u>-0.0011%</u>

In accordance with GASB 68, paragraphs 54 and 71, changes in the School's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions – amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments – amortized over five years.

Employer contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2017, was 6.4 years for FRS and 7.2 years for HIS.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

For the year ended June 30, 2018, the School recognized pension expense of \$603,186. As of June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 634,753	\$ 46,391
Changes of assumptions	2,869,695	335,460
Net difference between projected and actual earnings on pension plan investments	2,151	171,404
Changes in proportion and differences between School contributions and proportionate share of contributions	2,483,554	2,446,760
School contributions subsequent to the measurement date	894,990	-
Total	<u>\$ 6,885,143</u>	<u>\$ 3,000,015</u>

Deferred outflows of resources related to the School's contributions paid subsequent to the measurement date and prior to the School's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

<b>Reporting Period Ended June 30:</b>	<b>Amount</b>
2019	\$ 456,598
2020	1,023,756
2021	749,553
2022	214,774
2023	473,313
Thereafter	72,144

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**8 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources and amounts:

District School Board of Polk County, Florida:	
Florida Education Finance Program	\$ 13,587,931
Class size reduction	3,290,331
Supplemental academic instruction	834,749
Student transportation	818,026
Discretionary millage	795,291
Discretionary tax equalization	760,126
Capital outlay	539,664
ESE guaranteed allocation	463,174
Best and brightest scholarships	387,200
School recognition	305,387
Instructional materials	254,758
VPK funding	232,894
Reading allocation	130,981
Advanced placement testing	99,349
Digital classrooms allocation	66,067
Other	60,076
Other FEFP	59,400
Teacher lead	45,936
CAPE funds	44,898
Dual enrollment	18,658
Discretionary lottery funds	5,312
Total	<u><u>\$ 22,800,208</u></u>

The administration fee paid to the School Board during the year ended June 30, 2018 totaled approximately \$65,000, which is reflected as general administration expense/expenditure in the accompanying financial statements.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual (Budgetary Basis)</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
State and local sources	\$ 21,603,848	\$ 22,199,099	\$ 22,260,544	\$ 61,445
Contributions and other revenue	1,059,000	1,225,330	1,267,259	41,929
Total revenues	<u>22,662,848</u>	<u>23,424,429</u>	<u>23,527,803</u>	<u>103,374</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	12,465,066	12,957,648	12,844,044	113,604
Student support	599,150	597,724	592,989	4,735
Instructional media	107,050	122,600	115,413	7,187
Instructional staff training	210,217	206,085	97,254	108,831
Instruction-related technology	541,480	562,534	538,815	23,719
Board	314,230	84,400	71,059	13,341
General administration	-	-	65,241	(65,241)
School administration	1,456,360	1,610,436	1,619,593	(9,157)
Fiscal services	-	375,111	367,982	7,129
Student transportation	1,211,361	2,203,058	1,264,340	938,718
Operation of plant	4,398,471	2,638,001	2,359,458	278,543
Maintenance of plant	-	286,388	249,912	36,476
Community services	-	250,166	222,201	27,965
Debt service:				
Principal	1,139,172	966,267	715,653	250,614
Interest	-	-	249,882	(249,882)
Other capital outlay	-	-	1,019,261	(1,019,261)
Total expenditures	<u>22,442,557</u>	<u>22,860,418</u>	<u>22,393,097</u>	<u>467,321</u>
Excess of revenues over expenditures	<u>220,291</u>	<u>564,011</u>	<u>1,134,706</u>	<u>570,695</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from sale of capital assets	-	-	67,000	67,000
Proceeds from capital leases	-	-	222,695	222,695
Total other financing sources	<u>-</u>	<u>-</u>	<u>289,695</u>	<u>289,695</u>
Net change in fund balance	220,291	564,011	1,424,401	860,390
Fund balance at beginning of year	<u>2,788,418</u>	<u>2,788,418</u>	<u>2,788,418</u>	<u>-</u>
Fund balance at end of year	<u>\$ 3,008,709</u>	<u>\$ 3,352,429</u>	<u>\$ 4,212,819</u>	<u>\$ 860,390</u>

See independent auditor's report.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>(Budgetary Basis)</b>	<b>Final Budget-Positive (Negative)</b>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 1,415,312	\$ 1,154,016	\$ 1,141,370	\$ (12,646)
Contributions and other revenue	77,602	775,366	782,213	6,847
Total revenues	<u>1,492,914</u>	<u>1,929,382</u>	<u>1,923,583</u>	<u>(5,799)</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	94,544	310,097	189,353	120,744
Instructional staff training	-	-	108,098	(108,098)
Food services	1,398,370	1,619,285	1,598,213	21,072
Total expenditures	<u>1,492,914</u>	<u>1,929,382</u>	<u>1,895,664</u>	<u>33,718</u>
Net change in fund balance	-	-	27,919	27,919
Fund balance at beginning of year	<u>255,374</u>	<u>255,374</u>	<u>255,374</u>	<u>-</u>
Fund balance at end of year	<u>\$ 255,374</u>	<u>\$ 255,374</u>	<u>\$ 283,293</u>	<u>\$ 27,919</u>

See independent auditor's report.



**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
<b>Florida Retirement System (FRS) Pension Plan</b>										
School's proportion of the net pension liability (asset)	0.0234%	0.0243%	0.0267%	0.0251%						
School's proportionate share of the net pension liability (asset)	\$ 6,916,336	\$ 6,131,931	\$ 3,453,351	\$ 1,531,879						
School's covered-employee payroll	\$ 9,571,399	\$ 9,596,671	\$ 9,163,350	\$ 8,311,608						
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	72%	64%	38%	18%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	84%	85%	92%	96%						
<b>Retiree Health Insurance Subsidy (HIS) Program</b>										
School's proportion of the net pension liability (asset)	0.0363%	0.0374%	0.0359%	0.0337%						
School's proportionate share of the net pension liability (asset)	\$ 3,879,455	\$ 4,360,548	\$ 3,665,838	\$ 3,151,429						
School's covered-employee payroll	\$ 11,564,842	\$ 11,562,254	\$ 11,040,181	\$ 10,013,986						
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	34%	38%	33%	31%						
Plan fiduciary net position as a percentage of the total pension liability (asset)	2%	1%	1%	1%						

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See independent auditor's report.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<b>Florida Retirement System (FRS) Pension Plan</b>										
Contractually required contribution	\$ 691,399	\$ 608,700	\$ 592,224	\$ 651,854	\$ 549,944					
Contributions in relation to the contractually required contribution	691,399	608,700	592,224	651,854	549,944					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
School's covered-employee payroll	\$ 10,016,220	\$ 9,571,399	\$ 9,596,671	\$ 9,163,350	\$ 8,311,608					
Contributions as a percentage of covered-employee payroll	7%	6%	6%	7%	7%					
<b>Retiree Health Insurance Subsidy (HIS) Program</b>										
Contractually required contribution	\$ 203,591	\$ 192,016	\$ 191,775	\$ 137,407	\$ 115,459					
Contributions in relation to the contractually required contribution	203,591	192,016	191,775	137,407	115,459					
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>					
School's covered-employee payroll	\$ 12,263,694	\$ 11,564,842	\$ 11,562,254	\$ 11,040,181	\$ 10,013,986					
Contributions as a percentage of covered-employee payroll	2%	2%	2%	1%	1%					

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See independent auditor's report.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Period</b>	<b>Expenditures</b>
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / School Breakfast Program	10.553	7/1/2017 - 6/30/2018	\$ 112,094
United States Department of Agriculture / Florida Department of Education / National School Lunch Program	10.555	7/1/2017 - 6/30/2018	620,276
United States Department of Agriculture / Florida Department of Education / Afterschool Snack Program	10.555	7/1/2017 - 6/30/2018	19,840
Total Child Nutrition Cluster			<u>752,210</u>
United States Department of Agriculture / Emergency Food Assistance Program (Food Commodities)	10.569	7/1/2017 - 6/30/2018	91,709
Total Food Distribution Cluster			<u>91,709</u>
United States Department of Education / Florida Department of Education / Special Education - Grants to States (IDEA, Part B)	84.027	7/1/2017 - 6/30/2018	189,353
United States Department of Education / Florida Department of Education / Improving Teacher Quality State Grants (Title II)	84.367	7/1/2017 - 6/30/2018	108,098
Total Expenditures of Federal Awards			<u><u>\$ 1,141,370</u></u>

See accompanying note to schedule of expenditures of federal awards.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Company and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

For the year ended June 30, 2018, the Company did not elect to use the 10% de minimis indirect cost rate.

**Independent Auditor's Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of The Schools of McKeel Academy, Inc., a Charter School  
and Component Unit of the District School Board of Polk County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 28, 2018.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of This Report**

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

A handwritten signature in black ink that reads "BKM, P.A." in a cursive, stylized font.

Winter Park, Florida  
September 28, 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 of The Schools of McKeel Academy, Inc., a Charter School  
and Component Unit of the District School Board of Polk County, Florida

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

We have audited The Schools of McKeel 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 School'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 the requirements of laws, regulations, contracts, and grants 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.



Winter Park, Florida  
September 28, 2018



**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2018**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
10.553	7/1/2017 – 6/30/2018	School Breakfast Program
10.555	7/1/2017 – 6/30/2018	National School Lunch Program
10.555	7/1/2017 – 6/30/2018	Afterschool Snack Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
--------------------------------------------------------------------------	-----------

Auditee qualified as a low-risk auditee?	No
------------------------------------------	----

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)**

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS**

Finding 2017-001: Payroll Accruals

Statement of condition:

During our audit we determined that the payroll and paid time off accruals were not completely recorded in the current and prior periods. A prior period adjustment was recorded which restated beginning net assets by a material amount. Under AU-C 265, the "restatement of previously issued financial statements to reflect the correction of a material misstatement" is a strong indicator of a material weakness in internal controls.

Status:

No similar findings were noted in the current year audit.

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.850**

To the Board of Directors of The Schools of McKeel Academy, Inc., a Charter School  
and Component Unit of the District School Board of Polk County, Florida

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2018, and have issued our report thereon dated September 28, 2018.

## **AUDITOR'S RESPONSIBILITY**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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"); and Chapter 10.850, Rules of the Auditor General.

## **OTHER REPORTING REQUIREMENTS**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on 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, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 28, 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report

## **OFFICIAL TITLE**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is The Schools of McKeel Academy, Inc.

## **FINANCIAL CONDITION AND MANAGEMENT**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to

identify the specific conditions 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. The financial condition assessment was done as of the fiscal year-end.

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

#### **TRANSPARENCY**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether 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 note any such findings.

#### **PURPOSE OF THIS LETTER**

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



Winter Park, Florida  
September 28, 2018