

**SARASOTA MILITARY ACADEMY, INC.**  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA

BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTAL INFORMATION

JUNE 30, 2020



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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Sarasota Military Academy, Inc.  
Sarasota, Florida

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Sarasota Military Academy, Inc. a charter school and component unit of the School Board of Sarasota County, Florida (the "School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Sarasota Military Academy, Inc., a charter school and component unit of the School Board of Sarasota County, Florida, as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

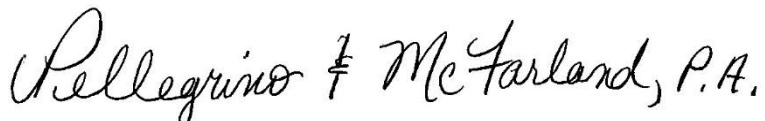
## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of proportionate share of net pension liability and contributions – FRS, and schedule of proportionate share of net pension liability and contributions – HIS to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2020, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Sarasota, Florida  
August 30, 2020

**SARASOTA MILITARY ACADEMY, INC.**  
**Management's Discussion and Analysis (Unaudited)**  
**June 30, 2020**

The following pages represent Management's Discussion and Analysis (MD&A) of Sarasota Military Academy, Inc. a charter school and component unit of the School Board of Sarasota County, Florida (the "School"). It depicts and reviews the financial picture and activities of the School as of and for the year ended June 30, 2020.

The intent of this MD&A is to present a picture and assessment of the School's financial performance in an effort to more clearly demonstrate to readers the results of this year's financial operations. Readers should also review the basic financial statements and notes to enhance their understanding of the School's financial performance.

Using the Financial Statements

This financial report includes a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the School as a financial whole, or as an entire operating entity.

The Statement of Net Position and the Statement of Activities provide information about the activities of the School as a whole, presenting both an aggregate view of the School's finances and a longer-term view of those finances. The General Fund statements show how services were financed in the short-term as well as what financial resources remain for future spending.

Financial Highlights

**Statement of Net Position**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Current and other assets	\$ 2,600,412	\$ 757,421	\$ 1,842,991
Capital assets	<u>19,466,407</u>	<u>20,013,300</u>	<u>(546,893)</u>
Total Assets	<u>22,066,819</u>	<u>20,770,721</u>	<u>1,296,098</u>
Deferred Outflow of Resources	<u>1,902,480</u>	<u>2,937,990</u>	<u>(1,035,510)</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 23,969,299</u>	<u>\$ 23,708,711</u>	<u>\$ 260,588</u>
Current liabilities	\$ 534,019	\$ 530,790	\$ 3,229
Noncurrent liabilities	<u>21,822,007</u>	<u>19,689,586</u>	<u>2,132,421</u>
Total Liabilities	<u>22,356,026</u>	<u>20,220,376</u>	<u>2,135,650</u>
Deferred Inflow of Resources	<u>920,431</u>	<u>1,039,082</u>	<u>(118,651)</u>
Net investment in capital	5,159,718	7,249,212	(2,089,494)
Restricted	79,786	73,292	6,494
Unrestricted	<u>(4,546,662)</u>	<u>(4,873,251)</u>	<u>326,589</u>
Total Net Position	<u>692,842</u>	<u>2,449,253</u>	<u>(1,756,411)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 23,969,299</u>	<u>\$ 23,708,711</u>	<u>\$ 260,588</u>

**Total assets** increased 1% due to increase in cash, which was directly related to the receipt of the PPP loan, and offset by the decrease in deferred outflow of resources.

**Deferred outflow of resources** decreased by 35.0% due to the estimated pension contribution in the current year to the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Program as required by Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

**Total liabilities** increased 10% this year due to the net increase in the net pension liability (NPL) for the FRS and HIS programs of approximately \$600,000 along with the increase in the interest rate swap liability of approximately \$256,000 and the increase in debt due to the receipt of the PPP loan of approximately \$1,893,000, which were offset by the decrease in accounts payable of approximately \$32,000 and by the pay down of the bond and note principals of approximately \$612,000.

**Deferred inflow of resources** increased 18% due to the difference between projected and actual earnings on investments of the FRS and HIS programs and the effect of economic/demographic gains and losses.

**SARASOTA MILITARY ACADEMY, INC.**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2020

**Statement of Activities**

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 399,909	\$ 452,007	\$ (52,098)
Capital grants and contributions	669,792	653,508	16,284
General revenues			
Grants and contributions not restricted to specific programs	11,357,871	11,707,923	(350,052)
Investment income (loss)	(255,586)	(215,899)	(39,687)
Other	<u>539,548</u>	<u>744,253</u>	<u>(204,705)</u>
Total revenues	<u>12,711,534</u>	<u>13,341,792</u>	<u>(630,258)</u>
Expenses			
Basic instruction	7,665,122	8,099,573	(434,451)
Exceptional instruction	631,132	631,483	(351)
Other instruction	190,885	375,783	(184,898)
Guidance services	358,435	321,975	36,460
Health services	160,103	161,241	(1,138)
Instructional media services	503,921	448,879	55,042
School administration	2,743,160	2,886,609	(143,449)
Facilities acquisition and construction	3,780	3,882	(102)
Fiscal services	300,074	278,730	21,344
Pupil transportation	306,700	324,621	(17,921)
Operation of plant	1,053,474	1,158,502	(105,028)
Maintenance of plant	117,048	91,206	25,842
Debt service	<u>434,111</u>	<u>453,032</u>	<u>(18,921)</u>
Total expenses	<u>14,467,945</u>	<u>15,235,516</u>	<u>(767,571)</u>
Change in net position	(1,756,411)	(1,893,724)	137,313
Net position, beginning of year	<u>2,449,253</u>	<u>4,342,977</u>	<u>(1,893,724)</u>
Net position, end of year	<u>\$ 692,842</u>	<u>\$ 2,449,253</u>	<u>\$ (1,756,411)</u>

**Total revenue** decreased approximately 4.7% due to a decrease in students from 1342 to 1328, which reduced FTE income and decreased charter school capital outlay funding due to Legislative reduction by approximately \$690,000. In addition, the change in value of the interest rate swap decreased by approximately \$39,000.

**Overall expenditures** decreased 5% primarily due to decrease in instruction, administration and operation expenses totaling approximately \$860,000.

**SARASOTA MILITARY ACADEMY, INC.**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2020

**Capital Assets**

Below is a schedule of the School's capital assets as of June 30, 2020 and 2019. See Note 4 to the financial statements for a detail of the changes during the fiscal year.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Capital assets, not being depreciated			
Land	\$ 8,398,300	\$ 8,398,300	\$ -
Capital assets, being depreciated			
Land improvements	115,977	115,977	-
Building and improvements	13,674,406	13,674,406	-
Furniture, fixtures and equipment	2,810,258	2,717,396	92,862
Motor vehicles	<u>768,199</u>	<u>768,199</u>	<u>-</u>
Total capital assets being depreciated	17,368,840	17,275,978	92,862
Less accumulated depreciation	<u>6,300,733</u>	<u>5,660,978</u>	<u>639,755</u>
Total capital assets being depreciated, net	<u>11,068,107</u>	<u>11,615,000</u>	<u>(546,893)</u>
Capital assets, net	<u>\$ 19,466,407</u>	<u>\$ 20,013,300</u>	<u>\$ (546,893)</u>

Capital asset changes during the year mainly included minimal investments in computer equipment and furniture, fixtures and equipment which was offset by the annual depreciation of current capital assets.

**Debt**

Below is a schedule of outstanding debt as of June 30, 2020 and 2019. See Note 5 to the financial statements for a detail of changes during the fiscal year and specific debt provisions.

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Notes payable	\$ 1,917,807	\$ 121,172	\$ 1,796,635
Bonds payable	<u>11,652,968</u>	<u>12,168,694</u>	<u>(515,726)</u>
Total debt payable	<u>\$ 13,570,775</u>	<u>\$ 12,289,866</u>	<u>\$ 1,280,909</u>

Changes in debt during the year included payment of principal for bonds and notes of \$612,000 and the receipt of the PPP loan for \$1,893,000. The School intends to use a pay-as-you-go approach for any future renovations. New construction will rely on support from the foundation accumulated from donations involving a capital improvement campaign.

**Net Pension Liability**

The components of the net pension liability for each defined benefit plan for the measurement date of June 30, 2019 are show below:

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Net Pension Liability – FRS	\$ 4,952,860	\$ 4,464,022	\$ 488,838
Net Pension Liability – HIS	<u>2,554,386</u>	<u>2,447,712</u>	<u>106,674</u>
Total Net Pension Liability	<u>\$ 7,507,246</u>	<u>\$ 6,911,734</u>	<u>\$ 595,512</u>

**Economic Factors and the Budget**

The School's overall expenses decreased by \$767,571 and overall revenues decreased by \$630,258.

The viability of the School continues to rest with conservative and innovative financial management, with the primary focus on meeting the academic needs of our student body. For the year ended June 30, 2020, our fiscal situation remained stable. Furthermore, the Sarasota County school district continues to provide to their charter schools a share of the local millage for capital improvements. The receipt of the PPP loan, in addition to the capital improvement funds received from the district, will free up operational resources for other requirements.

**SARASOTA MILITARY ACADEMY, INC.**  
Management's Discussion and Analysis (Unaudited)  
June 30, 2020

**Request for Information**

This financial report is designed to provide a general overview of the finances of the School. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director of Schools, Christina Bowman at 801 Orange Avenue North, Sarasota, Florida 34236.



**SARASOTA MILITARY ACADEMY, INC.**

Statement of Net Position

June 30, 2020

	Primary Government	Component Unit
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 2,363,442	\$ 432,275
Accounts receivable	8,299	900
Due from other governments	23,979	-
Due from component unit	142,135	-
Prepaid items	62,557	-
Total Current Assets	2,600,412	433,175
Noncurrent Assets		
Capital assets, net of accumulated depreciation	19,466,407	-
Total Assets	22,066,819	433,175
Deferred Outflows of Resources		
Deferred outflows related to pensions - FRS	1,298,907	-
Deferred outflows related to pensions - HIS	603,573	-
Total Deferred Outflows of Resources	1,902,480	-
Total Assets and Deferred Outflows of Resources	\$ 23,969,299	\$ 433,175
<b>LIABILITIES AND NET POSITION</b>		
Current Liabilities		
Accounts payable	\$ 25,747	\$ 35
Accrued expenses	508,272	2,708
Due to primary government	-	142,135
Total Current Liabilities	534,019	144,878
Noncurrent Liabilities		
Due within one year	1,306,387	-
Due in more than one year	20,515,620	-
Total Noncurrent Liabilities	21,822,007	-
Total Liabilities	22,356,026	144,878
Deferred Inflows of Resources		
Deferred inflows related to pensions - FRS	528,531	-
Deferred inflows related to pensions - HIS	391,900	-
Total Deferred Inflows from Resources	920,431	-
Total Liabilities and Deferred Inflows of Resources	23,276,457	144,878
Net position		
Net investment in capital	5,159,718	-
Restricted	79,786	367,847
Unrestricted	(4,546,662)	(79,550)
Total net position	692,842	288,297
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 23,969,299	\$ 433,175

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

**SARASOTA MILITARY ACADEMY, INC.**

Statement of Activities

For the Year Ended June 30, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>	
		<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>	<u>Component Unit</u>
Primary government:					
Governmental activities					
Basic instruction	\$ 7,665,122	\$ 284,538	\$ 669,792	\$ (6,710,792)	
Exceptional instruction	631,132	65,886	-	(565,246)	
Other instruction	190,885	49,485	-	(141,400)	
Guidance services	358,435	-	-	(358,435)	
Health services	160,103	-	-	(160,103)	
Instructional media services	503,921	-	-	(503,921)	
School administration	2,743,160	-	-	(2,743,160)	
Facilities acquisition and construction	3,780	-	-	(3,780)	
Fiscal services	300,074	-	-	(300,074)	
Pupil transportation	306,700	-	-	(306,700)	
Operation of plant	1,053,474	-	-	(1,053,474)	
Maintenance of plant	117,048	-	-	(117,048)	
Debt service	434,111	-	-	(434,111)	
Total governmental activities	<u>\$ 14,467,945</u>	<u>\$ 399,909</u>	<u>\$ 669,792</u>	<u>\$(13,398,244)</u>	
Component unit:					
Foundation	<u>\$ 38,652</u>	<u>\$ 361,000</u>	<u>\$ -</u>		<u>322,348</u>
General revenues:					
Grants and contributions not restricted to specific programs				11,357,871	66,408
Investment income				(255,586)	-
Other				539,548	592
Total general revenues				<u>11,641,833</u>	<u>67,000</u>
Change in net assets				(1,756,411)	389,348
Net position at beginning of year				<u>2,449,253</u>	<u>(101,051)</u>
Net position at end of year				<u>\$ 692,842</u>	<u>\$ 288,297</u>

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

**SARASOTA MILITARY ACADEMY, INC.**  
**Combined Balance Sheet - Governmental Funds**  
**June 30, 2020**

	General Fund	Capital Projects Fund	Total Primary Government	Component Unit	Total Governmental Funds
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 2,363,442	\$ -	\$ 2,363,442	\$ 432,275	\$ 2,795,717
Accounts receivable	8,299	-	8,299	900	9,199
Due from other governments	23,979	-	23,979	-	23,979
Due from component unit	142,135	-	142,135	-	142,135
Prepaid items	62,557	-	62,557	-	62,557
Total Assets	\$ 2,600,412	\$ -	\$ 2,600,412	\$ 433,175	\$ 3,033,587
 <b>LIABILITIES AND FUND BALANCES</b>					
<b>Current Liabilities</b>					
Accounts payable	\$ 25,747	\$ -	\$ 25,747	\$ 35	\$ 25,782
Accrued expenses	508,272	-	508,272	2,708	510,980
Due to primary government	-	-	-	142,135	142,135
Total Liabilities	534,019	-	534,019	144,878	678,897
<b>Fund Balance</b>					
Nonspendable	62,557	-	62,557	-	62,557
Restricted	79,786	-	79,786	367,847	447,633
Unassigned	1,924,050	-	1,924,050	(79,550)	1,844,500
Total Fund Balance	2,066,393	-	2,066,393	288,297	2,354,690
Total Liabilities and Fund Balance	\$ 2,600,412	\$ -	\$ 2,600,412	\$ 433,175	\$ 3,033,587

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

**SARASOTA MILITARY ACADEMY, INC.**  
Reconciliation of the Combined Balance Sheet of the Governmental Funds  
to the Statement of Net Position  
June 30, 2020

		<u>Primary Government</u>
Total Fund Balance - Governmental Funds		\$ 2,066,393
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</p>		
Capital assets	\$ 25,767,140	
Less accumulated depreciation	<u>(6,300,733)</u>	19,466,407
<p>Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Interest rate swap	(725,679)	
Compensated absences	(18,307)	
Net pension liability - HIS	(2,554,386)	
Net pension liability - FRS	(4,952,860)	
Notes payable	(1,893,092)	
Bonds payable	<u>(11,677,683)</u>	(21,822,007)
<p>Deferred outflows and inflows related to net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the Charter School's amount of total pension liability and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.</p>		
Deferred outflows related to pension - FRS & HIS	1,902,480	
Deferred inflows related to pension - FRS & HIS	<u>(920,431)</u>	<u>982,049</u>
Net Position of Governmental Activities		<u>\$ 692,842</u>

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

**SARASOTA MILITARY ACADEMY, INC.**

Combined Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds

For the Year Ended June 30, 2020

	General Fund	Capital Projects Fund	Total Primary Government	Component Unit	Total Governmental Funds
Revenues					
Federal direct	\$ 284,538	\$ -	\$ 284,538	\$ -	\$ 284,538
Federal through state	89,360	-	89,360	-	89,360
State	7,944,476	669,792	8,614,268	-	8,614,268
Local	2,971,151	331,984	3,303,135	-	3,303,135
Other	675,817	-	675,817	428,000	1,103,817
Investment income	414	-	414	-	414
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues	11,965,756	1,001,776	12,967,532	428,000	13,395,532
Expenditures					
Education					
Basic instruction	6,437,034	-	6,437,034	-	6,437,034
Exceptional instruction	546,221	-	546,221	-	546,221
Other instruction	185,910	-	185,910	-	185,910
Guidance services	310,381	-	310,381	-	310,381
Health services	137,071	-	137,071	-	137,071
Instructional media services	394,688	-	394,688	-	394,688
School administration	2,407,725	-	2,407,725	-	2,407,725
Facilities acquisition and construction	-	-	-	-	-
Fiscal services	263,535	-	263,535	-	263,535
Pupil transportation	227,079	-	227,079	-	227,079
Operation of plant	863,841	-	863,841	-	863,841
Maintenance of plant	108,220	-	108,220	-	108,220
Capital outlay	92,863	-	92,863	-	92,863
Debt service					-
Principal	612,183	-	612,183	-	612,183
Interest	434,111	-	434,111	-	434,111
Foundation	-	-	-	38,652	38,652
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures	13,020,862	-	13,020,862	38,652	13,059,514
Excess (deficit) of revenues over expenditures	(1,055,106)	1,001,776	(53,330)	389,348	336,018
Other financing sources (uses)					
Proceeds of long-term debt	1,893,092	-	1,893,092	-	1,893,092
Transfer between funds	1,001,776	(1,001,776)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net change in fund balance	1,839,762	-	1,839,762	389,348	2,229,110
Fund balance at beginning of year	226,631	-	226,631	(101,051)	125,580
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance at end of year	\$ 2,066,393	\$ -	\$ 2,066,393	\$ 288,297	\$ 2,354,690
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The accompanying notes are an integral part of these financial statements.

**SARASOTA MILITARY ACADEMY, INC.**  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balance of the Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2020

		<u>Primary Government</u>
Net Change in Fund Balance - Governmental Funds		<u>\$ 1,839,762</u>
Amounts reported in the statement of activities are different because:		
<p>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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital outlay expenditures	92,862	
Less current year depreciation	<u>(639,755)</u>	(546,893)
<p>Debt proceeds provide current financial resources to the Government Fund, but issuing debt increases long-term liabilities in the statement of net position.</p>		
Paycheck Protection Program	<u>(1,893,092)</u>	(1,893,092)
<p>Repayment of principal is an expenditure in the governmental funds, but, the repayment reduces noncurrent liabilities in the statement of net position.</p>		
Principal repayments	<u>612,183</u>	612,183
<p>Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.</p>		
	<u>(1,512,371)</u>	(1,512,371)
<p>In the statement of activities, some revenues and expenses do not require the source or use of current financial resources and, therefore, are not reported as a revenue or expenditure in the governmental funds.</p>		
Change in value of interest rate swap	<u>(256,000)</u>	<u>(256,000)</u>
Change in Net Position - Governmental Activities		<u><u>\$ (1,756,411)</u></u>

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

**SARASOTA MILITARY ACADEMY, INC.**

Balance Sheet - Fiduciary Funds

June 30, 2020

	<u>Agency Fund</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	<u>\$ 70,785</u>
Total Assets	<u><u>\$ 70,785</u></u>
 <b>LIABILITIES</b>	
Current Liabilities	
Due to athletics, class and club activities	<u>\$ 70,785</u>
Total Liabilities	<u><u>\$ 70,785</u></u>

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

# **SARASOTA MILITARY ACADEMY, INC.**

## Notes to the Financial Statements

June 30, 2020

### NOTE 1 – ORGANIZATION

Sarasota Military Academy, Inc. a charter school and component unit of the School Board of Sarasota County, Florida (the “School”) is a not-for-profit corporation formed on March 30, 2001, pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The governing body of the School is a Board of Directors. The School is dedicated to teaching principles of leadership, high academic standards, patriotism, and honor in a high-quality setting. The School provides a full range of academic high school classes that follow the Sarasota School District approved curriculum guidelines that in turn follow the School Board of Sarasota approved curriculum guidelines.

The general operating authority of the School is contained in Chapter 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school board, the School Board of Sarasota County, Florida (the “School Board”). The current charter is effective until June 30, 2025, and may be renewed by mutual agreement between the School and the School Board. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Audit and Accounting Guide – *State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### A. Basis of Presentation

The basic financial statements of the School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

#### B. Government-Wide and Fund Financial Statements

The School’s basic financial statements include both government-wide (reporting on the School as a whole) and fund financial statements (reporting on the General Fund and Capital Projects Fund). Both the government-wide and fund financial statements present only governmental activities. The School has no business type activities.

In the government-wide statement of net position, the School reports on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School’s net position is reported in two parts (as applicable): investment in capital assets, net of related debt and unrestricted net position.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or segment. Other revenues not properly included among program revenues are reported as general revenues.

The financial transactions of the School are reported in individual funds in the fund financial statements. The operations of the funds are accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures.



**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

The individual generic fund types in the School's financial statements are governmental funds. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

General Fund – is the School's general operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Capital Projects Fund – used to account for charter school capital outlay funding that is legally restricted by law or administrative action to expenditures for particular purposes.

Additionally, the School reports separately the following fiduciary fund type:

Agency Fund – used to administer funds raised and earned at the school in connection with student athletics, class, club activities, and the School.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Florida Education Finance Program revenue, State Categorical revenue, and ROTC revenue associated with the current fiscal period are considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

D. Budgetary Basis of Accounting

The annual budget was adopted on the modified accrual basis of accounting. The level of budgetary control is at the entity level. All annual appropriations lapse at fiscal year-end. For fiscal year ended June 30, 2020, appropriations exceeded expenses by \$1,839,762. Revisions to the annual budget are approved by the Board.

E. Cash Deposits

All deposits are held in a major bank and consist primarily of demand deposits at June 30, 2020. For financial reporting purposes, cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

# SARASOTA MILITARY ACADEMY, INC.

## Notes to the Financial Statements

June 30, 2020

### NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

#### F. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### G. Capital Assets

Capital assets, which include property and equipment, are reported in the total column in the government-wide financial statements and are not reported in the fund financial statements. Capital assets are defined by the School as assets with an initial cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 5 to 39 years for buildings and improvements and 3 to 10 years for furniture, fixtures and equipment, motor vehicles and capital lease assets.

#### H. Interest Rate Swap

The School entered into an interest rate swap transaction to reduce the economic risks associated with variability of cash outflows for interest required under the Educational Facilities Refunding Revenue Bond Agreement for Series 2012. Interest rate swap is recognized as either an asset or a liability at its fair value on the statement of net position with the change in the fair value reported in investment income on the statement of activities.

#### I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The criteria for determining the vacation leave liability is derived from board policy, negotiated agreements, and state law.

The entire compensated absence liability is reported in the government-wide financial statements. For governmental fund financial statements, the amount of accumulated vacation and sick leave of employees has been recorded as accrued salaries and benefits to the extent that the amounts would normally be liquidated with expendable available financial resources, but the balance of the liability is not recorded. The liability at year-end includes salary related payments such as Social Security, Medicare and Florida retirement system contributions.

#### J. Deferred Outflows and Inflows of Resources

The statement of net position includes separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenues in the future periods.

#### K. Pensions

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

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Bonds Payable

Bond obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in government-wide statement of net position.

In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due. Governmental fund types recognize bond discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. Fund Equity

Reservations of fund balance represent amounts that are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

N. Net Position

Net position represents the difference between assets and liabilities. Net position, investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position invested in capital assets, net of related debt excludes unspent debt proceeds.

Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations. All net position not reported as net position, investment in capital assets, net of related debt and restricted net position, are reported as unrestricted net position.

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

O. Fund Balance

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

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

Restricted – This component consists of amounts that have constraints placed on them either externally by third-parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation.

Committed – This component consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the School removes or changes the specified use by taking the same type of action it employed previously to commit those amounts.

Assigned – This component consists of amounts that are constrained by the School's intent to be used for specific purposes, but are neither restricted nor committed. The authority for assigning fund balance is expressed by the Board of Directors.

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

O. Fund Balance – Continued

Unassigned – This classification represents amounts that have not been restricted, committed or assigned to a specific purpose within the general fund.

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

P. Fund Balance/Net Position Policy

The School has a fund balance/net position policy tailored to the needs of the School to insure against unanticipated events that would adversely affect the financial condition of the School and jeopardize the continuation of services. This policy will ensure the School maintains adequate fund balance/net position and reserves in the School's operating fund to provide the capacity to: (1) provide sufficient cash flow for daily financial needs, (2) secure and maintain investment grade bond ratings, (3) offset significant economic downturns and revenue shortfalls, and (4) provide funds for unforeseen expenditures related to emergencies.

Q. Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Chapter 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Chapter 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (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 FTE students reported by the School during the designated FTE student survey periods.

The School also receives federal awards for the enhancement of various educational programs. Federal awards are 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.

Additional revenues are derived from various fundraising activities, contributions and interest earned.

R. Income Taxes

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The School's status as a tax exempt not-for-profit entity is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The School has not recorded any accruals for uncertain income tax positions at June 30, 2020.

S. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**T. Discretely Presented Component Unit**

Criteria for determining if other entities are potential component units which should be reported within the School’s basic financial statements are identified and described in the Governmental Accounting Standards Board (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School’s basic financial statements to be misleading or incomplete.

Sarasota Military Academy Foundation, Inc. (the “Foundation”), is a not-for-profit corporation formed on January 09, 2017. The governing body of the Foundation is appointed by the board of directors of the Foundation. The purpose of the Foundation is to receive, accept, and administer, for the benefit of the School, any funds, and tangible or intangible property, donated to the corporation. The School and the Foundation are engaged in a support services agreement whereby the School will provide support funding, based on reasonable value, to be repaid by the Foundation to the School from available donated funds collected by the Foundation. As of June 30, 2020, the Foundation owes the School \$142,135.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

Custodial credit risk is the risk that in the event of bank failure, the School’s deposits may not be returned. The School can mitigate this risk by depositing funds in financial institutions insured by Federal depository insurance. The deposits are insured by the FDIC up to \$250,000 per bank institution. At June 30, 2020, the carrying amount of the School’s deposits was \$2,363,442 and bank balances totaled \$2,449,725. The School had uninsured balances of \$2,199,725 at June 30, 2020.

**NOTE 4 – CAPITAL ASSETS**

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

	<u>Balance</u> <u>July 1,</u> <u>2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30,</u> <u>2020</u>
Capital assets, not being depreciated					
Land	\$ 8,398,300	\$ -	\$ -	\$ -	\$ 8,398,300
Capital assets, being depreciated					
Land improvements	115,977	-	-	-	115,977
Buildings and improvements	13,674,406	-	-	-	13,674,406
Furniture, fixtures and equipment	2,717,396	92,862	-	-	2,810,258
Motor vehicles	<u>768,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>768,199</u>
Total capital assets being depreciated	<u>17,275,978</u>	<u>92,862</u>	<u>-</u>	<u>-</u>	<u>17,368,840</u>
Less accumulated depreciation					
Land improvements	56,355	9,157	-	-	65,512
Buildings and improvements	3,102,497	375,381	-	-	3,477,878
Furniture, fixtures and equipment	2,089,110	188,431	-	-	2,277,541
Motor vehicles	<u>413,016</u>	<u>66,786</u>	<u>-</u>	<u>-</u>	<u>479,802</u>
Total accumulated depreciation	<u>5,660,978</u>	<u>639,755</u>	<u>-</u>	<u>-</u>	<u>6,300,733</u>
Total capital assets being depreciated, net	<u>11,615,000</u>	<u>(546,893)</u>	<u>-</u>	<u>-</u>	<u>11,068,107</u>
Capital Assets, net	<u>\$ 20,013,300</u>	<u>\$ (546,893)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,466,407</u>

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 4 – CAPITAL ASSETS – CONTINUED

Depreciation expenses were charged to the following functions:

	<u>June 30, 2020</u>
Basic instruction	\$ 259,879
Exceptional instruction	7,705
Other instruction	4,975
Guidance services	475
Health services	1,196
Instructional media services	109,233
School administration	18,657
Facilities acquisition and construction	3,780
Fiscal services	148
Pupil transportation	54,235
Operation of plant	170,644
Maintenance of plant	<u>8,828</u>
Total	\$ <u>639,755</u>

NOTE 5 – NONCURRENT LIABILITIES

Activity for noncurrent liabilities for the year ended June 30, 2020 was as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Due Within One Year</u>	<u>Balance June 30, 2020</u>
Governmental activities					
Interest rate swap	\$ 469,679	\$ 256,000	\$ -	\$ -	\$ 725,679
Compensated absences	18,307	-	-	18,307	18,307
Net pension liability – FRS	4,464,022	488,838	-	-	4,952,860
Net pension liability – HIS	2,447,712	106,674	-	-	2,554,386
Notes payable	121,172	1,893,092	96,457	751,753	1,917,807
Bonds payable	<u>12,168,694</u>	<u>-</u>	<u>515,726</u>	<u>536,327</u>	<u>11,652,968</u>
Totals	\$ <u>19,689,586</u>	\$ <u>2,744,604</u>	\$ <u>612,183</u>	\$ <u>1,306,387</u>	\$ <u>21,822,007</u>

Notes Payable

The School has a long-term debt obligation in the form of a \$367,445 promissory note due to Wells Fargo Equipment Finance, Inc. for the purchase of various equipment. The note is payable at 3.99% interest in monthly principal and interest installments of \$8,295 until the maturity date on September 15, 2020. Interest and related charges paid during the year ended June 30, 2020 were \$3,082.

Future maturities of long-term debt are as follows:

Fiscal Year Ending	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30: 2021	\$ 24,717	\$ 179	\$ 24,896

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 5 – NONCURRENT LIABILITIES – CONTINUED

Bonds Payable and Interest Rate Swaps

Educational Facilities Refunding Revenue Bonds, Series 2012

On July 18, 2012, the School entered into a bond purchase agreement with Wells Fargo Bank and Sarasota County for the purchase and sale of \$5,565,000 of Educational Facilities Refunding Revenue Bonds (Sarasota Military Academy, Inc. Project), Series 2012. The bonds were sold to enable the School to refinance its obligations related to the Tax-Exempt Adjustable Mode Industrial Development Revenue Bonds Series 2005 and Series 2008. The bonds bear interest at a weekly rate and continue to bear interest at the weekly rate to the date upon which the interest rate is converted, if ever, to the Flexible Term Rate, the Medium Term Rate or the Fixed Rate in accordance with the terms of the Indenture. The bonds mature annually on July 19, with final maturity on July 19, 2037. The bonds are secured by an irrevocable, direct-pay letter of credit with Wells Fargo.

Additionally, the School entered into an interest rate swap agreement with Wells Fargo Bank in conjunction with these bonds through July 18, 2027. The interest rate swap agreement had an original notional amount of \$5,565,000 and declines as debt service payments are made. Under the swap agreement, the Charter School pays a fixed rate of 4.63% and receives interest at a variable rate equal to 77% of the USD-LIBOR-BBA, based on the notional amount which at June 30, 2020, was \$4,484,000. Interest payments are due monthly and the variable rate resets weekly based on a weighted average.

The School has certain loan covenants within their agreements with Wells Fargo. As of June 30, 2020, the School was not in compliance with one of the loan covenants. The School has received a waiver from Wells Fargo related to this covenant.

Annual debt service requirements to maturity for the bonds are as follows:

Fiscal Year Ending	Principal		Interest	Total
June 30:	Series 2012			
2021	\$ 168,000	\$	187,904	\$ 355,904
2022	176,000		176,109	352,109
2023	184,000		164,187	348,187
2024	192,000		153,438	345,438
2025	204,000		139,943	343,943
Thereafter	<u>3,560,000</u>		<u>260,165</u>	<u>3,820,165</u>
Total	<u>\$ 4,484,000</u>	\$	<u>1,081,746</u>	<u>\$ 5,565,746</u>
Total bonds payable			4,484,000	
Current portion			<u>(168,000)</u>	
Noncurrent portion		\$	<u>4,316,000</u>	

Educational Facilities Revenue Bonds, Series 2016A and 2016B

On March 25, 2016, the School entered into a bond purchase agreement with Wells Fargo Bank and Sarasota County for the purchase and sale of \$7,554,540 of Educational Facilities Revenue Bonds (Sarasota Military Academy, Inc. Project), Series 2016A and Series 2016B in an aggregate principal amount not to exceed \$1,000,000 in one or more advances. The bonds were sold to enable the School to finance the acquisition of land and existing building constituting a middle school located at 3101 Bethel Lane in Sarasota, Florida and the cost of constructing on such land, a new classroom building and payments of cost in connection with the issuance of the bonds.

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 5 – NONCURRENT LIABILITIES – CONTINUED

Educational Facilities Revenue Bonds, Series 2016A and 2016B – Continued

The Series 2016A bonds bear interest at a rate of 2.74% per annum. Principal and interest are due to be paid on the 15<sup>th</sup> day of each month in accordance with the terms of the Indenture. On the maturity date, all the outstanding principal shall be due and payable. Interest shall be computed on an actual/360 simple interest basis. The Series 2016A bonds mature on April 15, 2036. The bond is secured by an assignment by Sarasota County, Florida (the issuer), to Wells Fargo Bank of its rights in the Agreement and the Note, and an endorsement by the issuer without recourse of the note payable to the order of Wells Fargo Bank. Payment of the bond is further secured by a First Mortgage, Assignment of Leases and Rents and Security Agreement and a Second Mortgage, Assignment of Leases and Rents and Security Agreement from the Charter School to Wells Fargo Bank.

During the year ended June 30, 2016, the School was advanced \$196,772 in accordance with the Series 2016B bond agreement. The Series 2016B bonds bear interest at a rate of 2.84% per annum. Interest is to be paid on the 15<sup>th</sup> day of each month commencing on May 15, 2016. Interest shall be computed on an actual/360 simple interest basis. The Series 2016B bonds mature on April 15, 2036. On the maturity date, all outstanding principal shall be due and payable. The bond is secured by an assignment by Sarasota County, Florida (the issuer), to Wells Fargo Bank of its rights in the Agreement and the Note, and an endorsement by the issuer without recourse of the note payable to the order of Wells Fargo Bank. Payment of the bond is further secured by a First Mortgage, Assignment of Leases and Rents and Security Agreement and a Second Mortgage, Assignment of Leases and Rents and Security Agreement from the School to Wells Fargo Bank.

The School has certain loan covenants within their agreements with Wells Fargo. As of June 30, 2020, the School was not in compliance with one of the loan covenants. The School has received a waiver from Wells Fargo related to this covenant.

Annual debt service requirements to maturity for the bonds are as follows:

Fiscal Year Ending	Principal Series 2016A & Series 2016B	Interest	Total
<u>June 30:</u>			
2021	\$ 368,327	\$ 192,388	\$ 560,715
2022	378,591	182,124	560,715
2023	389,142	171,573	560,715
2024	399,987	160,728	560,715
2025	411,134	149,581	560,715
Thereafter	<u>5,221,787</u>	<u>769,210</u>	<u>5,990,997</u>
Total	\$ <u>7,168,968</u>	\$ <u>1,625,604</u>	\$ <u>8,794,572</u>
Total bonds payable		7,168,968	
Current portion		<u>(368,327)</u>	
Noncurrent portion		<u>\$ 6,800,641</u>	

Paycheck Protection Program

On May 5, 2020, the School received loan proceeds from First Home Bank in the amount of \$1,893,092, pursuant to the Paycheck Protection Program established under the Coronavirus Aid, Relief and Economic Security Act, which was enacted March 27, 2020. The loan matures May 5, 2022 and bears interest at a rate of 1% per annum, with deferral of payments for the first 6 months. The loan and accrued interest are forgivable as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. The School intends to use the entire loan amount for qualifying expenses.



**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

**NOTE 5 – NONCURRENT LIABILITIES – CONTINUED**

**Paycheck Protection Program – Continued**

Unless the loan proceeds are forgiven, in part or in the entirety, annual debt service requirements to maturity for the note is as follows:

Fiscal Year Ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 727,038	\$ 18,717	\$ 745,755
2022	<u>1,166,054</u>	<u>5,838</u>	<u>1,171,892</u>
Total	<u>\$ 1,893,092</u>	<u>\$ 24,555</u>	<u>\$ 1,917,647</u>
Total note payable		1,893,092	
Current portion		<u>(727,038)</u>	
Noncurrent portion		<u>\$ 1,166,054</u>	

**NOTE 6 – DERIVATIVE INSTRUMENTS**

The School is a party to contracts for various derivative instruments, as discussed below. At June 30, 2020, the Charter School has the following derivative instruments outstanding:

Governmental Activities <u>Fair Value Hedge</u>	<u>Amount</u>	<u>Fair Value</u>		<u>Changes in Fair Value</u>	
		<u>Notional Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Pay-fixed interest rate swap	\$ 4,484,000	Debt	\$ (725,679)	Investment Revenue	\$ (256,000)

The School is exposed to interest rate risk on its swap agreement. On the pay-fixed, recent variable interest rate swap, the School's net payment increases as LIBOR decreases.

The derivative instrument may be terminated at any time if certain events occur that result in one party not performing in accordance with the agreement. The derivative instrument can be terminated due to illegality, a credit event upon merger, or an event of default. It can also be terminated if credit ratings fall below established levels.

**NOTE 7 – DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM**

**Plan Description**

All part-time and full-time permanent employees of the School are covered by the Florida Retirement System. The Florida Retirement System (FRS) is a cost-sharing, multiple-employer, defined benefit retirement plan available to governmental units within the State of Florida. The plan was created by the Florida Legislature and is administered by the State of Florida, Department of Administration.

The plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Senate Bill 2100, effective July 1, 2011 made a number of substantial changes to the FRS, including requiring 3% employee contributions on all compensation on or after July 1, 2011. The following are brief descriptions of the Plan in effect as of June 30, 2020.

For a more complete description, refer to the Florida Retirement System Pension Plan and Other State Administered Systems Comprehensive Annual Financial report. The report may be obtained by writing to the Florida Retirement System, Division of Retirement, P.O. Box 9000, Tallahassee, Florida 32315-9000.

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 7 – DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Benefits Provided

Benefits in the plan vest at six years of service for those enrolled in the FRS prior to July 1, 2011 and eight years of service for those enrolled in the FRS on or after July 1, 2011. The plan also includes an early retirement provision, but imposes a penalty for each year a member retires before his or her normal retirement date. The plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

The plan provides vesting of benefits after six years for those enrolled in the FRS prior to July 1, 2011 and eight years for those enrolled in the FRS on or after July 1, 2011. Members who were enrolled prior to July 1, 2011 are eligible for normal retirement after they have met one of the following: (1) thirty years of service, regardless of age, or (2) age 62 and six years of service. Members who were enrolled on or after July 1, 2011 are eligible for normal retirement after they have met one of the following: (1) thirty-three years of service, regardless of age or (2) age 65 and eight years of service.

Early retirement may be taken any time after completing six years of service for those enrolled in the FRS prior to July 1, 2011 and eight years for those enrolled in the FRS on or after July 1, 2011; however, there is a 5% benefit reduction for each year prior to normal retirement. The normal retirement age is 62 for those enrolled in the FRS prior to July 1, 2011 and 65 for those enrolled in the FRS on or after July 1, 2011. Benefits are computed on the basis of age, average final compensation, and service credit. Average final compensation is the average of the five highest years of earnings.

The plan also provides death and disability benefits. Benefits are estimated by Florida Statutes and include cost of living adjustments.

Contributions

Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the Pension Plan and the Investment Plan. The uniform employer contribution rate for regular class members for the fiscal year 2019-2020 was 6.75%. These rates exclude the 1.66% contribution for the Retiree Health Insurance Subsidy, the fee of 0.06% for administration of the FRS Investment Plan and provision of educational tools for both plans, and unfunded actuarial liability rates. The employee contribution rate was 3% for the fiscal year ended June 30, 2020.

The School's contribution to the plan for the year ended June 30, 2020 was \$629,945.

FRS Pension Liability and Expense and Deferred Outflows and Inflows of Resources

At June 30, 2020, the School reported a liability of \$4,952,860 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School's proportions were 0.009119155% and .005262553%, which was a decrease of 0.000021855% and 0.000416970%, respectively, from its proportions measured as of June 30, 2018.

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 7 – DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

FRS Pension Liability and Expense and Deferred Outflows and Inflows of Resources – Continued

For the year ended June 30, 2020, the School recognized pension expense of \$1,234,041. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to FRS pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in:		
Contributions, subsequent to measurement date	\$ 85,252	\$ -
Investments	-	274,018
Assumptions/inputs	539,784	-
Experience expected/actual	293,769	3,073
Change in Proportion, NPL	<u>380,102</u>	<u>251,440</u>
	\$ <u>1,298,907</u>	\$ <u>528,531</u>

Deferred outflows of resources related to employer contributions paid subsequent to the June 30, 2019 measurement date and prior to the employer’s fiscal year end will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year Ending June 30:		
2021	\$	467,390
2022		140,997
2023		340,662
2024		256,983
2025		66,275
Thereafter		<u>16,477</u>
Total	\$	<u>1,288,784</u>

Actuarial Assumptions for Defined Benefit Pension Plan

The total pension liability for the cost-sharing multiple-employer defined benefit pension plan was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below. The total pension liability is calculated using the Individual Entry Age Normal cost allocation method, which differs from the Ultimate Entry Age Normal cost allocation method used in the funding valuation for the System. Additionally, the net pension liability above adjusted upward to reflect any balance in the Contribution Clearing Trust Fund as of the measurement date.

The discount rate and long term expected rate of return, net of investment expense for the fiscal year ended June 30, 2018 and June 30, 2019 was 7.00% and 6.90%, respectively. 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.

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 7 – DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Actuarial Assumptions for Defined Benefit Pension Plan – Continued

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Valuation date	July 1, 2018	July 1, 2019
Measurement date	June 30, 2018	June 30, 2019
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB	PUB2010 base tables with Projection Scale MP-2018
Actuarial cost method	Individual Entry Age	Individual Entry Age

Long-Term Expected Rate of Return

The analytical basis of the long-term expected rate of return assumption, comprises a rate of return consistent with the capital market outlook model developed during 2019 by an outside investment consultant and a long-term average annual inflation assumption adopted in October 2019 by the FRS Actuarial Assumption Conference. The table below contains a summary of Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation<sup>1</sup></u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	3.3%	3.3%	1.2%
Fixed income	18.0%	4.1%	4.1%	3.5%
Global equity	54.0%	8.0%	6.8%	16.5%
Real estate	11.0%	6.7%	6.1%	11.7%
Private equity	10.0%	11.2%	8.4%	25.8%
Strategic investments	6.0%	5.9%	5.7%	6.7%
Assumed inflation – Mean			2.6%	1.7%

<sup>1</sup>as outlined in the FRS Pension Plan’s investment policy.

Sensitivity Analysis

The following presents the net pension liability of the pension plan, calculated using the discount rate of 6.90%, as well as what the pension plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90%) or one percentage point higher (7.90%) than the current rate.

	<u>1.00% Decrease 5.90%</u>	<u>Current Discount Rate 6.90%</u>	<u>1.00% Increase 7.90%</u>
Total FRS net pension liability	\$ 59,532,884,783	\$ 34,438,607,783	\$ 13,480,641,783
School’s proportionate share of the net pension liability	\$ 8,561,846	\$ 4,952,860	\$ 1,938,747

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

**NOTE 8 – DEFINED BENEFIT PLAN – HEALTH INSURANCE SUBSIDY PROGRAM**

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

The HIS Program is funded by required contributions from FRS participating employers as set by the Legislature. Employer contributions are a percentage of gross compensation for all active FRS members.

For the fiscal year ended June 30, 2019, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual Legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

**HIS Pension Liability and Expense and Deferred Outflows and Inflows of Resources**

At June 30, 2020, the School reported a liability of \$2,554,386 for its proportionate share of the HIS net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2018 to June 30, 2019. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2019, the School's proportions were 0.014014006% and .008815434%, which was a decrease of 0.000464155% and an increase of 0.000167312%, respectively, from its proportions measured as of June 30, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$278,330. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to HIS program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in:		
Contributions, subsequent to measurement date	\$ 13,591	\$ -
Investments	1,648	-
Assumptions/inputs	108,640	208,775
Experience expected/actual	31,025	3,128
Change in Proportion, NPL	448,669	179,997
	\$ 603,573	\$ 391,900

Deferred outflows of resources related to employer contributions paid subsequent to the June 30, 2019 measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year Ending June 30:	
2021	\$ 49,667
2022	39,750
2023	21,759
2024	(15,801)
2025	2,870
Thereafter	18,300
Total	\$ 116,545

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

**NOTE 8 – DEFINED BENEFIT PLAN – HEALTH INSURANCE SUBSIDY PROGRAM – CONTINUED**

**Actuarial Assumptions for Defined Benefit Health Insurance Premium Benefit Plan**

The total pension liability for the cost-sharing multiple-employer defined benefit health insurance premium benefit plan was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions below, and then was projected to the measurement date. Any significant changes during this period have been reflected as prescribed by GASB 67.

The discount rate and municipal bond rate for the fiscal year ended June 30, 2018 and June 30, 2019 was 3.87% and 3.50%, respectively. In general, the discount rate for calculating the total pension liability under GASB 67 is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor.

The actuarial assumptions that determined the total pension liability as of June 30, 2019, were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018.

Valuation date	July 1, 2018	July 1, 2019
Measurement date	June 30, 2018	June 30, 2019
Inflation	2.60%	2.60%
Salary increases including inflation	3.25%	3.25%
Mortality	Generational RP-2000 with Projection Scale BB	PUB2010 base tables with Projection Scale MP-2018
Actuarial cost method	Individual Entry Age	Individual Entry Age

**Sensitivity Analysis**

The following presents the net pension liability of the HIS, calculated using the discount rate of 3.50%, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50%) or one percentage point higher (4.50%) than the current rate.

	1.00% Decrease <u>2.50%</u>	Current Discount Rate <u>3.50%</u>	1.00% Increase <u>4.50%</u>
Total HIS net pension liability	\$ 12,772,816,282	\$ 11,188,999,285	\$ 9,869,859,042
School's proportionate share of the net pension liability	\$ 2,915,962	\$ 2,554,386	\$ 2,253,234

**NOTE 9 – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School has purchased commercial insurance. The School has not had any reduction in insurance coverage and settlements have not exceeded coverage for each of the past three fiscal years.

**NOTE 10 – LITIGATION**

The School Board is contingently liable with respect to lawsuits and other claims that arise in the ordinary course of its operations. Management believes that any liability arising from such claims would be immaterial to the financial statements.

**SARASOTA MILITARY ACADEMY, INC.**

Notes to the Financial Statements

June 30, 2020

NOTE 11 – FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

Certain of the School's financial instruments are not measured at fair value on a recurring basis but nevertheless are recorded at amounts that approximate fair value due to their liquid or short-term nature. Such financial assets and financial liabilities include: cash and cash equivalents, accounts receivable, due from other governments, due from component unit, prepaid items, accounts payable, accrued expenses, due to primary government.

NOTE 12 – EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through August 30, 2020, the date the financial statements were available for issuance, and has determined that there are no additional subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION



**SARASOTA MILITARY ACADEMY, INC.**  
Required Supplementary Information  
Budgetary Comparison Schedule - General Fund (Unaudited)  
For the Year Ended June 30, 2020

	Primary Government			
	Original Budget	Final Budget	Actual	Over / (Under)
Revenues				
Federal direct	\$ 280,513	\$ 280,662	\$ 284,538	\$ 3,876
Federal through state	70,566	81,016	89,360	8,344
State and local	12,167,242	11,812,972	11,917,403	104,431
Other	1,070,406	1,013,460	676,231	(337,229)
Total revenues	<u>13,588,727</u>	<u>13,188,110</u>	<u>12,967,532</u>	<u>(220,578)</u>
Expenditures				
Education				
Basic instruction	7,289,519	6,651,218	6,437,034	(214,184)
Exceptional instruction	599,360	546,878	546,221	(657)
Other instruction	210,586	192,146	185,910	(6,236)
Guidance services	-	-	310,381	310,381
Health services	-	-	137,071	137,071
Instructional media services	727,871	818,806	394,688	(424,118)
School administration	2,741,910	2,499,990	2,407,725	(92,265)
Fiscal services	256,248	233,491	263,535	30,044
Pupil transportation	247,933	225,915	227,079	1,164
Operation of plant	975,931	1,008,266	863,841	(144,425)
Maintenance of plant	84,512	86,875	108,220	21,345
Capital Outlay	-	-	92,863	92,863
Debt service	453,509	954,342	1,046,294	91,952
Total expenses	<u>13,587,379</u>	<u>13,217,927</u>	<u>13,020,862</u>	<u>(197,065)</u>
Excess (deficit) of revenues over expenditures	<u>1,348</u>	<u>(29,817)</u>	<u>(53,330)</u>	<u>(23,513)</u>
Other financing sources (uses)				
Proceeds of long-term debt	-	-	1,893,092	1,893,092
Net change in fund balance	<u>\$ 1,348</u>	<u>\$ (29,817)</u>	<u>\$ 1,839,762</u>	<u>\$ 1,869,579</u>

Notes to Required Supplementary Information:

Budgets are presented on the modified accrual basis of accounting. All annual appropriations lapse at fiscal year end. Budgets may be amended by resolution at any board meeting prior to the date for the annual report.

**SARASOTA MILITARY ACADEMY, INC.**  
 Required Supplementary Information  
 Schedule of Proportionate Share of Net Position Liability and Contributions - FRS (Unaudited)  
 Last Ten Measurement Periods<sup>1</sup>

	2014	2015	2016	2017	2018	2019
<b>PROPORTIONATE SHARE OF NET PENSION LIABILITY</b>						
School's proportion of the net pension liability						
High school	0.010653235%	0.011910924%	0.009910741%	0.009046043%	0.009141010%	0.009119155%
Prep	0.000000000%	0.002170394%	0.004027495%	0.005197701%	0.005679523%	0.005262553%
School's proportion share of the net pension liability	\$ 650,004	\$ 1,538,456	\$ 3,519,416	\$ 4,213,204	\$ 4,464,022	\$ 4,952,860
School's covered employee payroll	\$ 4,709,422	\$ 6,617,457	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054
School's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	13.80%	23.25%	52.18%	59.76%	59.10%	69.63%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%	82.61%
<b>CONTRIBUTIONS</b>						
Contractually required contribution	\$ 298,561	\$ 420,496	\$ 380,112	\$ 412,744	\$ 475,121	\$ 519,536
Contribution in relation to the contractually required contribution	<u>(298,561)</u>	<u>(420,496)</u>	<u>(380,112)</u>	<u>(412,744)</u>	<u>(475,121)</u>	<u>(519,536)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,709,422	\$ 6,617,457	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054
Contributions as a percentage of covered employee payroll	6.34%	6.35%	5.64%	5.85%	6.29%	7.30%

1. The amounts presented for each measurement period were determined as of June 30. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

**SARASOTA MILITARY ACADEMY, INC.**  
Required Supplementary Information  
Schedule of Proportionate Share of Net Position Liability and Contributions - HIS (Unaudited)  
Last Ten Measurement Periods<sup>1</sup>

	2014	2015	2016	2017	2018	2019
<b>PROPORTIONATE SHARE OF NET PENSION LIABILITY</b>						
School's proportion of the net pension liability						
High school	0.015842148%	0.017243333%	0.015894760%	0.014462872%	0.014478161%	0.014014006%
Prep	0.000000000%	0.003038312%	0.005951906%	0.007654283%	0.008648122%	0.008815434%
School's proportion share of the net pension liability	\$ 1,481,279	\$ 1,758,549	\$ 2,546,138	\$ 2,364,868	\$ 2,447,712	\$ 2,554,386
School's covered employee payroll	\$ 4,709,422	\$ 6,617,457	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054
School's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	31.45%	26.57%	37.75%	33.55%	32.41%	35.91%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%	2.63%
<b>CONTRIBUTIONS</b>						
Contractually required contribution	\$ 56,513	\$ 65,998	\$ 111,960	\$ 117,026	\$ 125,386	\$ 118,077
Contribution in relation to the contractually required contribution	<u>(56,513)</u>	<u>(65,998)</u>	<u>(111,960)</u>	<u>(117,026)</u>	<u>(125,386)</u>	<u>(118,077)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,709,422	\$ 5,237,972	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054
Contributions as a percentage of covered employee payroll	1.20%	1.26%	1.66%	1.66%	1.66%	1.66%

1. The amounts presented for each measurement period were determined as of June 30. Information is required to be presented for 10 years. However, until a full 10-year trend is compiled, the School will present information for only those years for which information is available.

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

To the Board of Directors  
Sarasota Military Academy, Inc.  
Sarasota, 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 and each major fund of Sarasota Military Academy, Inc. a charter school and component unit of the School Board of Sarasota County, Florida (the "School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 30, 2020.

**Internal Control Over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

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

## **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.

*Pellegrino & McFarland, P.A.*

Sarasota, Florida  
August 30, 2020

## MANAGEMENT LETTER

To the Board of Directors  
Sarasota Military Academy, Inc.  
Sarasota, Florida

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

We have audited the financial statements of Sarasota Military Academy, Inc., a charter school and component unit of the School Board of Sarasota County, Florida (the “School”), as of and for the year ended June 30, 2020 and have issued our report thereon dated August 30, 2020.

### **Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.800, Rules of the Auditor General.

### **Other Reporting Requirements**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 30, 2020, should be considered in conjunction with this management letter.

### **Prior Audit Findings**

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

### **Official Title**

Section 10.854(1)(e)5, Rules of the Auditor General, required the name or official title of the entity. The official title of the entity is Sarasota Military Academy Inc.

## **Financial Condition**

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

## **Transparency**

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

## **Other Matters**

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

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

## **Purpose of this Letter**

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

*Pellegrino & McFarland, P.A.*

Sarasota, Florida  
August 30, 2020