

Sigsbee Charter School, Inc.

A Charter School and Component Unit of
the Monroe County District School Board

Basic Financial Statements
For the Year Ended June 30, 2021



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Sigsbee Charter School, Inc.
A Charter School and Component Unit of the
Monroe County District School Board

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Sigsbee Charter School, Inc. (the "School"), a component unit of the Monroe County District School Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2021, 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 and budgetary comparison information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 11, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS



Our discussion and analysis of the Sigsbee Charter School, Inc.'s (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021, with certain comparative information for 2020. Please read it in conjunction with the School's basic financial statements which immediately follow this discussion.

Overview of the Basic Financial Statements

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

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

The statement of net position presents financial information on all of the School's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the School's financial position is improving or deteriorating. However, as a governmental entity, the School's activities are not geared toward generating profit as are the activities of commercial entities. Other factors such as the safety at the School and quality of education must be considered in order to reasonably assess the School's overall performance.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School has only one (1) category of funds - governmental funds.

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

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

Sigsbee Charter School, Inc.
Management's Discussion and Analysis
June 30, 2021

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

The School adopts an annual budget for the General Fund. A budgetary comparison statement has been provided for the General Fund as required supplemental information.

Notes to the Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. The following table presents a comparative analysis of the condensed government-wide statements of net position:

Sigsbee Charter School Summary of Net Position			
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Assets:			
Current and other assets	\$ 8,288,218	\$ 7,854,573	\$ 433,645
Capital assets, net of depreciation	10,240,455	10,271,569	(31,114)
Noncurrent assets	<u>15,300</u>	<u>-</u>	<u>15,300</u>
Total assets	<u>18,543,973</u>	<u>18,126,142</u>	<u>417,831</u>
Liabilities:			
Current liabilities	450,517	683,746	(233,229)
Noncurrent liabilities	<u>92,245</u>	<u>531,069</u>	<u>(438,824)</u>
Total liabilities	<u>542,762</u>	<u>1,214,815</u>	<u>(672,053)</u>
Net Position:			
Net investment in capital assets	10,240,455	10,271,569	(31,114)
Unrestricted	<u>7,760,756</u>	<u>6,639,758</u>	<u>1,120,998</u>
Total net position	<u>\$ 18,001,211</u>	<u>\$ 16,911,327</u>	<u>\$ 1,089,884</u>

The School continues its effort to increase net position in order to fund future capital expenditures in accordance with the \$ 24.5 million Facilities Master Plan developed in March 2019. This plan includes replacing modular classrooms with a STEAM center, replacing the 60 year-old cafeteria and adding a gymnasium to the campus. Liabilities have decreased primarily because in November 2020, the School received forgiveness of the Payroll Protection Program funds that were received in May of 2020.

Sigsbee Charter School, Inc.
Management’s Discussion and Analysis
June 30, 2021

A portion of the School’s net position reflects its investment in capital assets. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Resources that are subject to external restrictions on how they may be used are classified as restricted net position. As of June 30, 2021 and 2020, the School had no restricted net position. The remaining unrestricted balance may be used in any of the School's ongoing operations.

The following table presents comparative information of the condensed government-wide statements of changes in net position:

Sigsbee Charter School Summary of Change in Net Position			
	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Variance</u>
Revenues:			
General revenues	\$ 7,125,686	\$ 6,378,701	\$ 746,985
Program revenues:			
Charges for services	13,800	99,200	(85,400)
Operating grants and contributions	243,660	374,303	(130,643)
Capital grants and contributions	<u>329,210</u>	<u>334,477</u>	<u>(5,267)</u>
Total revenues	<u>7,712,356</u>	<u>7,186,681</u>	<u>525,675</u>
Expenses:			
Instruction	4,077,522	3,637,219	440,303
Instructional support services	2,254,634	2,100,077	154,557
Non-instructional services	<u>290,316</u>	<u>192,793</u>	<u>97,523</u>
Total expenses	<u>6,622,472</u>	<u>5,930,089</u>	<u>692,383</u>
Change in net position	<u>\$ 1,089,884</u>	<u>\$ 1,256,592</u>	<u>\$ (166,708)</u>

- General revenues increased primarily because the Payroll Protection Program loan was forgiven in November 2020.
- FTE student funding increased 2% due to the Governor’s Teacher Salary Increase Allocation. However, a portion of this increase was offset by the elimination of the Best and Brightest and School Recognition funds.
- Charges for services decreased primarily because the USDA provided free meals to all students in 2020-2021.
- Operating grants and contributions decreased due to the completion of the DoDEA and Restart grants in 2020. This decrease was offset slightly by approximately \$ 79,000 received through the CARES Act ESSER I grant funds.
- Instructional salaries contributed to the overall increase in expenses for the year. Additional teachers and support staff were added across all grade levels to support in person teaching while providing a live, full-time, virtual option to families. Disinfecting and cleaning contracts and supplies also increased significantly in 2020-2021.

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to maintain control over resources that have been segregated for specific activities or objectives. The focus of the School's governmental funds are to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements.

As of the end of fiscal year 2020/2021 the School's governmental funds reported ending fund balance of \$ 7,777,063. The fund balance unassigned and available for spending at the School's discretion is \$ 7,431,894. These funds will be available for the School's future ongoing operations. The fund balance increased by \$ 276,325.

Budgetary Highlights

The 2020-2021 school year was largely defined by the School's response to the COVID-19 pandemic. The focus of the learning was on health and safety first, accompanied by a strong commitment to having instruction take place on campus. The first quarter began with an A/B schedule to safely accommodate the entire student body while implementing CDC guidelines. Students who performed in the lowest quartile were invited to attend on campus 5 days/week to minimize learning losses. It quickly became evident that students benefited most when they learned in-person with their teachers. As a result, the School committed to supporting additional class sections and to hiring additional instructional staff so that more cohorts could be created and be spaced safely. At the same time, teachers maintained virtual instruction for students who were in quarantine or who opted to participate in a virtual learning environment due to health concerns. Some staff were assigned to virtual classes to continue instruction for students who were learning from the home environment. This ensured that all students had the opportunity to engage with staff and to continue learning in any circumstance. As a result, the School was able to maintain strong enrollment numbers and gain attention for its innovative approach to dealing with adversity.

Mitigating learning losses was a primary focus even before the school year began. ESSER funds were used to compensate teachers for providing virtual instruction throughout the summer to mitigate potential learning loss from the School being online in March-June 2020. Teachers in grades 3-5 provided virtual instruction to students in Mathematics, Language Arts and Science. This, along with adaptations to curriculum to condense content, led to favorable results. The School was able to qualify once again as an A rated school in Florida based on statewide assessment data from Spring 2021 tests.

Capital Assets and Debt Administration

The School's investment in capital assets at June 30, 2021 was \$ 10,240,455 net of accumulated depreciation compared to \$ 10,271,569 at June 30, 2020.

At June 30, 2021, the School had no outstanding debt as compared to \$ 798,321 at June 30, 2020.

Economic Factors

Facts, decisions or conditions that are expected to have a significant effect on the financial position or results of operations of the School in fiscal year 2021/2022 include the following:

- The 2021/2022 school year represents the 12th year of operations of the School. The School's past has shown that they can continue to operate a high performing school providing quality education for the students, within the school-based revenues. The School has also been fortunate to have a strong business community and involved parents that participate in fundraising activities for school improvements.

- Elementary and Secondary School Emergency Relief (ESSER) Funds are being disseminated to school districts. The School was allocated \$ 344,548 in ESSER II and anticipates additional ESSER III funds in 2021/2022. These funds will be used to support increased staffing to address student learning losses and additional disinfecting and cleaning to ensure a safe environment for students and staff.
- It is anticipated that enrollment will decline slightly with the elimination of a virtual option but that funding per student will remain a level similar to 2020/2021.
- Capital expenditures will focus primarily on safety and security and include perimeter fencing and security cameras.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest. If you should have any questions pertaining to the information presented in this report or would like additional information, please contact the Finance Director of Sigsbee Charter School, Inc. at 939 Felton Road Key West, Florida 33040.

BASIC FINANCIAL STATEMENTS

Sigsbee Charter School, Inc.
Statement of Net Position
June 30, 2021

	Governmental Activities
Current Assets:	
Cash and cash equivalents	\$ 7,861,376
Accounts receivable	4,721
Due from other governments	92,252
Prepaid expenses	329,869
	<hr/>
Total current assets	8,288,218
Noncurrent Assets:	
Capital assets, net of accumulated depreciation	10,240,455
Deposits	15,300
	<hr/>
Total noncurrent assets	10,255,755
	<hr/>
Total assets	18,543,973
Current Liabilities:	
Accounts payable	6,513
Salaries and wages payable	414,943
Unearned revenue	12,747
Compensated absences, due within one year	16,314
	<hr/>
Total current liabilities	450,517
Noncurrent Liabilities:	
Compensated absences, due in more than one year	92,245
	<hr/>
Total noncurrent liabilities	92,245
	<hr/>
Total liabilities	542,762
Net Position:	
Net investment in capital assets	10,240,455
Unrestricted	7,760,756
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Total net position	\$ 18,001,211
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The accompanying notes to basic financial statements are an integral part of these statements.

Sigsbee Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:					
Instruction	\$ 3,765,338	\$ -	\$ 1,815	\$ -	\$ (3,763,523)
Exceptional programs	312,184	-	28	-	(312,156)
Instructional media services	118,114	-	72,442	-	(45,672)
Operation of plant	707,678	-	9,263	329,210	(369,205)
Instructional related technology	85,434	-	-	-	(85,434)
Board services	18,241	-	-	-	(18,241)
General administration - district	59,343	-	-	-	(59,343)
School administration	467,787	-	-	-	(467,787)
Transportation	1,063	-	-	-	(1,063)
Food services	205,806	5,845	146,825	-	(53,136)
Maintenance of plant	497,423	-	-	-	(497,423)
Community services	6,926	7,955	11,287	-	12,316
Student support services	208,764	-	-	-	(208,764)
Instructional staff training services	168,371	-	2,000	-	(166,371)
Total governmental activities	<u>\$ 6,622,472</u>	<u>\$ 13,800</u>	<u>\$ 243,660</u>	<u>\$ 329,210</u>	<u>(6,035,802)</u>
General revenues:					
FTE nonspecific revenues					6,191,955
Forgiveness of debt - Paycheck Protection Program					798,321
Miscellaneous					14,756
Half cent sales tax					92,252
Investment earnings					28,402
Total general revenues					<u>7,125,686</u>
Change in net position					1,089,884
Net position, July 1, 2020					<u>16,911,327</u>
Net position, June 30, 2021					<u>\$ 18,001,211</u>

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

Sigsbee Charter School, Inc.
Balance Sheet - Governmental Funds
June 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Assets:				
Cash and cash equivalents	\$ 7,861,376	\$ -	\$ -	\$ 7,861,376
Accounts receivable	4,721	-	-	4,721
Due from other governments	92,252	-	-	92,252
Prepaid items	329,869	-	-	329,869
Deposits	15,300	-	-	15,300
	<u>8,303,518</u>	<u>-</u>	<u>-</u>	<u>8,303,518</u>
Total assets	\$ <u>8,303,518</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,303,518</u>
Liabilities:				
Accounts payable	\$ 6,513	\$ -	\$ -	\$ 6,513
Salaries and wages payable	414,943	-	-	414,943
Unearned revenue	12,747	-	-	12,747
	<u>434,203</u>	<u>-</u>	<u>-</u>	<u>434,203</u>
Total liabilities	<u>434,203</u>	<u>-</u>	<u>-</u>	<u>434,203</u>
Deferred Inflows of Resources				
Unavailable revenue - intergovernmental	<u>92,252</u>	<u>-</u>	<u>-</u>	<u>92,252</u>
Total deferred inflows of resources	<u>92,252</u>	<u>-</u>	<u>-</u>	<u>92,252</u>
Fund Balance:				
Nonspendable	345,169	-	-	345,169
Unassigned	7,431,894	-	-	7,431,894
	<u>7,777,063</u>	<u>-</u>	<u>-</u>	<u>7,777,063</u>
Total fund balances	<u>7,777,063</u>	<u>-</u>	<u>-</u>	<u>7,777,063</u>
Total liabilities, deferred inflows of resources and and fund balances	\$ <u>8,303,518</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>8,303,518</u>

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

Sigsbee Charter School, Inc.
Reconciliation of the Balance Sheet - Governmental
Funds to the Statement of Net Position
June 30, 2021

Total Fund Balances - Governmental Funds \$ 7,777,063

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 in the governmental funds:

Cost of capital assets	\$ 12,333,691	
Accumulated depreciation	<u>(2,093,236)</u>	10,240,455

Intergovernmental revenues are considered deferred inflows of resources in the fund financial statements due to availability of funds; under full accrual accounting they are considered revenues.	92,252
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Long-term liabilities which are not due and payable in the current period; and therefore, are not reported in the governmental funds:

Compensated absences	<u>(108,559)</u>
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Net Position of Governmental Activities \$ 18,001,211

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

Sigsbee Charter School, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Project Fund</u>	<u>Total</u>
Revenues:				
State sources	\$ 6,179,319	\$ -	\$ 329,210	\$ 6,508,529
Federal through state	-	260,463	-	260,463
Local sources	22,164	-	-	22,164
Investment earnings	28,402	-	-	28,402
Community support	19,242	-	-	19,242
After school program	5,666	-	-	5,666
Teacher Lead	12,636	-	-	12,636
	<u>6,267,429</u>	<u>260,463</u>	<u>329,210</u>	<u>6,857,102</u>
Total revenues				
Expenditures:				
Instruction	3,761,331	4,007	-	3,765,338
Operation of plant	706,405	1,273	-	707,678
Facilities acquisition and construction	51,351	7,990	329,210	388,551
School administration	449,977	-	-	449,977
Instructional media services	96,077	86,587	-	182,664
Exceptional programs	312,156	28	-	312,184
Instructional staff training services	154,618	13,753	-	168,371
Food services	58,981	146,825	-	205,806
Student support services	208,764	-	-	208,764
Instructional related technology	85,434	-	-	85,434
General administration - district	59,343	-	-	59,343
Transportation	1,063	-	-	1,063
Community services	6,926	-	-	6,926
Maintenance of plant	20,437	-	-	20,437
Board services	18,241	-	-	18,241
	<u>5,991,104</u>	<u>260,463</u>	<u>329,210</u>	<u>6,580,777</u>
Total expenditures				
Net changes in fund balances	276,325	-	-	276,325
Fund Balances, July 1, 2020	<u>7,500,738</u>	<u>-</u>	<u>-</u>	<u>7,500,738</u>
Fund Balances, June 30, 2021	<u>\$ 7,777,063</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,777,063</u>

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

**Sigsbee Charter School, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances -
 Governmental Funds to the Statement of Activities
 For the Year Ended June 30, 2021**

Net Changes in Fund Balances - Governmental Funds \$ 276,325

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

The governmental funds reports capital outlays as expenditures; however, in the statement of activities these costs are allocated over their estimated useful lives as provision for depreciation:

Cost of capital assets	\$	303,619	
Current year loss on disposal of capital assets		(7,229)	
Current year provision for depreciation		<u>(327,504)</u>	(31,114)

Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently recognized in the governmental fund financial statements as they become available. The net difference is recorded as a reconciling item. 64,162

Debt issued in the prior year and forgiven in the current year is reported within the general revenues in the statement of activities but was recognized previously in the statement of revenues, expenditures and change in fund balances. 798,321

Some expenses reported 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:

Change in compensated absences			<u>(17,810)</u>
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Change in Net Position of Governmental Activities \$ 1,089,884

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

Note 1 - Organization and Operations

Reporting Entity: The Sigsbee Charter School, Inc. (the "School") was incorporated as a nonprofit corporation on October 1, 2008 organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporations Act and Section 228.056, Florida Statutes, to provide each child with the opportunities and skill sets to realize his or her fullest potential in surroundings tailored to meet the needs of the transient military child as well as to provide another option for children in the Key West community. The School aims to inspire and empower students to become lifelong learners who meet high academic standards and demonstrate responsible citizenship. Enhanced by an environmental and marine education program, all students will capitalize on our unique aquatic surroundings while acquiring a level of empathy that encourages them to be assets to their community and stewards of their environment. The governing body of the School is the not for profit corporation's Board of Directors (the "Board"), which is comprised of seven to nine members. The School's charter started July 1, 2010 and operations began August, 2009.

The School operates under a charter of the sponsoring school district, the Monroe County School District (the "District"). The current charter is effective until June 30, 2025. The School is a component unit of the District.

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 Government Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included with the reporting entity of the School.

Note 2 - Summary of Significant Accounting Policies

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

Government-wide financial statements: The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. All of the School's activities are classified as governmental activities.

In the government-wide statement of net position, the governmental activities column is reported on a full accrual, economic resource basis, which recognizes all current and noncurrent assets and all current and noncurrent liabilities. The School's net position is reported in three (3) categories: net investment in capital assets; restricted; and unrestricted.

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

The School reports the following major governmental funds:

General Fund - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

Special Revenue Fund - This fund is used to account for certain grants that are legally restricted to expenditures for particular purposes.

Capital Project Fund - This fund is used to account for the state capital outlay funding that is legally restricted to expenditures for particular purposes.

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

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

The governmental fund financial statements are presented on the modified accrual basis of accounting under which revenue is recognized in the accounting period in which it becomes susceptible to accrual (i.e., when it becomes both measurable and available). Revenues susceptible to accrual include FTE nonspecific revenue, capital grant funds, operating grants and contributions and investment earnings. Intergovernmental revenues are recognized when all eligibility requirements have been met, if available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within two (2) months of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred.

Cash and cash equivalents: It is the School's policy to maintain cash balances not to exceed the amount of insurance which is provided by various depository institutions. The School considers all highly liquid debt instruments purchased with a maturity of less than three months to be presented as a current asset on the accompanying balance sheet and statement of net position.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

Prepaid expenses: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital assets: Capital assets purchased or acquired with an original cost of \$ 750 or more are capitalized at historical cost or estimated historical cost and are reported in the government-wide financial statement. Donated capital assets are valued at the estimated fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related capital assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets, which include equipment acquired with state shared revenues are reported in the government-wide financial statements.

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

Buildings	39 years
Improvements	10-39 years
Equipment	5-12 years

Within the governmental funds, amounts incurred for the acquisition of capital assets are reported as fund expenditures. Depreciation expense is not reported within the governmental fund financial statements.

State funding (primary source of revenue): Student funding is provided by the State of Florida through the Monroe County District School Board. In accordance with the Charter Agreement, the District retains not more than 5% as an administrative fee. This funding is received on a pro rata basis over the twelve-month period and is adjusted for changes in full-time equivalent student population. After review and verification of Full-Time Equivalent ("FTE") reports and supporting documentation, the Florida Department of Education may adjust subsequent fiscal period allocations of FTE funding for prior year's errors disclosed by its review as well as to prevent the statewide allocation from exceeding the amount authorized by the State Legislature. Normally, such adjustments are reported in the year the adjustments are made.

Income taxes: The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School's deferred inflows of resources at June 30, 2021 are a component of the accompanying Balance Sheet.

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

Compensated absences: The School's policy permits employees to accumulate earned but unused sick time, which is eligible for payment upon separation from service. The liability for such time is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental fund only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary related benefits, where applicable.

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

Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Restricted - consists of net position with constraints placed on their use either by: 1) external groups such as creditors, grantors, contributors or laws or regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. There are no restricted net assets as of the year-end.

Unrestricted - indicates that portion of net position that is available to fund future operations and that do not meet the definition of "restricted" or "net investment in capital assets".

Fund balance classifications: The governmental fund financial statements present fund balances based on the provisions of Governmental Accounting Standards Board ("GASB") Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

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

- *Nonspendable Fund Balance* - amounts that are not in spendable form (such as prepaid items and deposits) or are legally or contractually required to be maintained intact.
- *Restricted Fund Balance* - amounts that are constrained to specific purposes by external providers (such as grantors, creditors, etc.) or imposed by law through constitutional provisions, or by enabling legislation.
- *Committed Fund Balance* - amounts constrained to specific purposes by formal action of the Board (the highest level of decision making authority). To be reported as committed, amounts cannot be used for any other purpose unless the Board removes or changes the commitment through formal action.
- *Assigned Fund Balance* - amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the Executive Committee or by an official or body which the Board delegated the authority at their direction.
- *Unassigned Fund Balance* - amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The School uses restricted amounts first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the School would first use committed fund balance, followed by assigned fund balance when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

Budget: An operating budget for the general fund is adopted and maintained by the governing board for the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the financial statements. A budget was not adopted for the School's special revenue fund.

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.

Date of management review: Subsequent events were evaluated by management through October 11, 2021, which is the date the financial statements were available to be issued.

Note 3 - Deposits

At June 30, 2021, the carrying amount of the School's deposits and cash on hand totaled approximately \$ 7,861,000 with a bank balance of approximately \$ 7,891,000.

Note 3 - Deposits and Investments (continued)

Subject to certain exemptions, State statutes require, and it is the School's policy, that certain deposits be made into, and be held by, financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity at June 30, 2021. The School maintains balances at two financial institutions which do not qualify as qualified public depositories at June 30, 2021 as defined by Chapter 280 of the Florida Statutes. These balances are both federally insured, thereby qualifying them as an exemption of Chapter 280 of the Florida Statutes.

The School maintained a cash balance account with a Financial Institution which, at June 30, 2021, exceeded federally insured amounts.

Note 4 - Due From Other Governments

Due from other governments at June 30, 2021 consisted of amounts due from Monroe County School District related to the School's Tech Refresh Allocation.

Note 5 - Capital Assets

A summary of changes in capital assets for the year ended June 30, 2021, is as follows:

	Balance July 1, 2020	Increases	Decreases/ Transfers	Balance June 30, 2021
Capital assets:				
Land	\$ 2,790,000	\$ -	\$ -	\$ 2,790,000
Buildings	4,496,984	-	-	4,496,984
Improvements	3,897,482	171,935	282,403	4,351,820
Equipment	835,346	90,359	(230,818)	694,887
Construction in progress	241,078	41,325	(282,403)	-
Total capital assets	<u>12,260,890</u>	<u>303,619</u>	<u>(230,818)</u>	<u>12,333,691</u>
Accumulated depreciation:				
Buildings	1,101,698	115,307	-	1,217,005
Improvements	453,279	105,367	(223,589)	335,057
Equipment	434,344	106,830	-	541,174
Total accumulated depreciation	<u>1,989,321</u>	<u>327,504</u>	<u>(223,589)</u>	<u>2,093,236</u>
Net capital assets	<u>\$ 10,271,569</u>	<u>\$ (23,885)</u>	<u>\$ (7,229)</u>	<u>\$ 10,240,455</u>

The provision for depreciation for the year ended June 30, 2021 amounted to \$ 327,504. The School allocated depreciation to maintenance of plant.

Note 6 - Long-Term Liabilities

On April 21, 2020, the School executed a promissory note for \$ 798,321 under the Paycheck Protection Program (“PPP”) authorized by the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”). The loan bears interest rate at 1.00% per annum. Under the PPP, loan funds are eligible for forgiveness to the extent that they are used to cover certain payroll, rent, and utility costs and if the School maintains certain employment levels during a specified period of time. If the Small Business Administration (“SBA”) confirms full forgiveness of the unpaid balance of the note, the School’s obligation under this arrangement will be deemed fully satisfied. The School remains obligated to repay to the lender any amount not forgiven, which will mature on the 2nd anniversary of the note. Principal and interest payments are deferred until the lender receives a forgiveness determination from SBA. If the School does not apply for forgiveness within 10 months after the last day of their covered period, as applicable, it would be required to make payments on the PPP loan beginning 10 months after the last day of such covered period. During fiscal year 2021, the School applied for and received forgiveness. As a result, the balance was considered forgiven as of June 30, 2021.

The following is a summary of changes in long-term liabilities for the year ended June 30, 2021:

	Balance July 1, 2020	Additions	Retirements	Balance June 30, 2021	Due Within One Year
Note payable	\$ 798,321	\$ -	\$ 798,321	\$ -	\$ -
Compensated absences	90,749	84,828	67,018	108,559	16,314
Total long-term liabilities	<u>\$ 889,070</u>	<u>\$ 84,828</u>	<u>\$ 865,339</u>	<u>\$ 108,559</u>	<u>\$ 16,314</u>

Note 7 - Commitments and Contingencies

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

Note 8 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions, employee health, workers’ compensation and natural disasters for which the School carried commercial insurance. Settlement amounts have not exceeded insurance coverage for the past five (5) years. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 9 - Risks and Uncertainties

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the School's financial position and operations. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

Sigsbee Charter School, Inc.
Schedule of Revenues and Expenditures
Budget and Actual - General Fund
For the Year Ended June 30, 2021

	<u>Adopted and Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
State sources	\$ 5,949,420	\$ 6,179,319	\$ 229,899
Local sources	-	22,164	22,164
Investment earnings	93,768	28,402	(65,366)
Community support	-	19,242	19,242
Half cent sales tax	51,563	-	(51,563)
After school program	-	5,666	5,666
Teacher Lead	8,120	12,636	4,516
	<u>6,102,871</u>	<u>6,267,429</u>	<u>164,558</u>
Total revenues			
Expenditures:			
Instruction	3,247,509	3,761,331	(513,822)
Operation of plant	614,803	706,405	(91,602)
School administration	424,931	449,977	(25,046)
Exceptional programs	305,418	312,156	(6,738)
Instructional media services	281,941	96,077	185,864
Facilities acquisition and construction	-	51,351	(51,351)
Food services	177,299	58,981	118,318
Instructional staff training services	171,814	154,618	17,196
Student support services	190,257	208,764	(18,507)
Instructional related technology	86,020	85,434	586
General administration - district	57,162	59,343	(2,181)
Transportation	26,700	1,063	25,637
Community services	-	6,926	(6,926)
Maintenance of plant	25,000	20,437	4,563
Board services	13,300	18,241	(4,941)
	<u>5,622,154</u>	<u>5,991,104</u>	<u>(368,950)</u>
Total expenditures			
Net change in fund balance	\$ <u>480,717</u>	\$ <u>276,325</u>	\$ <u>(204,392)</u>

OTHER INDEPENDENT AUDITOR'S REPORTS



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*

To the Board of Directors
Sigsbee Charter School, Inc.
A Charter School and Component Unit of the
Monroe County District School Board

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 Sigsbee Charter School, Inc. (the "School"), a component unit of the Monroe County District School Board, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 11, 2021.

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) as a basis for designing 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 financial statements. 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.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 11, 2021

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
Sigsbee Charter School, Inc.
A Charter School and Component Unit of the
Monroe County District School Board

Report on the Financial Statements

We have audited the financial statements of Sigsbee Charter School, Inc. (the "School"), a component unit of the Monroe County District School Board, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated October 11, 2021.

Auditor's Responsibility

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

Other 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*. Disclosures in that report, which is dated October 11, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity is Sigsbee Charter School, Inc. and 440341.

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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 condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we 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 have any such findings.

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
October 11, 2021