

South Tech Charter Academy, Inc.

Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2022



South Tech Charter Academy, Inc.

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INDEPENDENT AUDITOR'S REPORT

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

Report of the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of South Tech Charter Academy, Inc. (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

CPA's + Trusted Advisors

Auditor's Responsibilities for Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 7, the budgetary comparison schedules – general fund and special revenue fund on pages 30 and 31 and the schedules related to the pension plan on pages 32 through 35 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.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022, on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS



Our discussion and analysis of South Tech Charter Academy (the "School") financial performance provides an overview of the School's financial activities for the year ended June 30, 2022 with certain comparative information for 2021. Please read it in conjunction with the School's financial statements which immediately follow this discussion.

Financial Highlights

The following are highlights of financial activity for the year ended June 30, 2022:

- The School's total liabilities and deferred inflows exceeded its assets and deferred outflows as of June 30, 2022 by \$ 406,065 (net deficit).
- The School's net position (deficit) increased by \$ 2,540,199 during the current fiscal year as a result of this year's operations.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 8 and 9 of this report.

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

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

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

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

The School adopts an annual budget for its governmental funds. Budgetary comparison schedules have been provided for the General and Special Revenue funds to demonstrate compliance with the budgets adopted for each.

The governmental funds financial statements can be found on pages 10 through 13 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 14 through 29 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results and schedules relating to the School's Pension Plan. Required supplementary information can be found on pages 30 through 35 of this report.

Government-Wide Financial Analysis

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

South Tech Charter Academy Statements of Net Position (Deficit)		
	2022	2021
Current assets	\$ 6,885,155	\$ 4,692,180
Noncurrent assets	18,405,680	18,595,744
Total assets	25,290,835	23,287,924
Deferred outflows of resources	2,354,389	2,585,830
Current liabilities	1,058,958	1,069,739
Noncurrent liabilities	15,462,756	18,449,426
Total liabilities	16,521,714	19,519,165
Deferred inflows of resources	11,529,575	9,300,853
Net Position (Deficit):		
Net investment in capital assets	(1,182,537)	(2,885,866)
Restricted	605,296	-
Unrestricted (deficit)	171,176	(60,398)
Total net position (deficit)	\$ (406,065)	\$ (2,946,264)

**South Tech Charter Academy, Inc.
Management's Discussion and Analysis
June 30, 2022**

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

The following table reflects the School's change in net position for the years ended June 30, 2022 and 2021.

South Tech Charter Academy Statements of Changes in Net Position		
	2022	2021
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 6,399,506	\$ 5,005,239
General revenues:		
FTE nonspecific revenues	9,029,329	8,901,134
Contributions and other revenue	2,549,259	845,614
Total revenues	17,978,094	14,751,987
Expenses:		
Instruction	8,083,125	7,636,173
Administration	1,355,210	1,458,346
Operation and maintenance of plant	4,944,970	5,437,808
Student transportation services	198,331	398,914
Fiscal services	195,141	221,966
Board expenditures	58,058	99,525
Interest and fiscal charges	603,060	903,376
Total expenses	15,437,895	16,156,108
Change in net position	2,540,199	(1,404,121)
Net Position (Deficit), Beginning of Year	(2,946,264)	(1,542,143)
Net Position (Deficit), End of Year	\$ (406,065)	\$ (2,946,264)

Financial Analysis of the School's Funds

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

The General Fund is the chief operating fund of the School. At the end of year 2022, unassigned fund balance of the General Fund was \$ 4,223,741, an increase of \$ 2,144,180 for the year. The overall General Fund balance increased by \$ 2,289,303.

General Fund Budgetary Highlights

Total revenues were favorable to the budget by approximately \$ 5,219,000. This was mostly a result of the in-kind rent not budgeted for, as well as approximately \$ 1,200,000 in tax referendum revenue, that was not budgeted for.

Total expenditures were unfavorable to the budget by approximately \$ 3,090,000. This is mostly due to in-kind rent that was not budgeted for, which is included in operation and maintenance of plant and local sources in the revenues noted above. See page 30 for budget and actual comparisons.

Capital Assets and Debt Administration

Capital assets: The School's investment in capital assets as of June 30, 2022 amounts to \$ 9,890,830 net of accumulated depreciation as compared to \$ 10,021,169 as of June 30, 2021. This investment in capital assets is composed of land, building and improvements, furniture & equipment, vehicles, and audio visual and computer software. This increase is mostly due to the acquisition of the building and land that was financed with the issuance of the Educational Facility Lease Revenue Bonds discussed below.

Debt: At June 30, 2022 and 2021, the School had outstanding debt of \$ 11,595,158 and \$ 11,676,932, respectively. This mostly comprises the Educational Facility Lease Revenue Bonds that were issued during the 2021. See Note 8 for a more detailed discussion of the outstanding debt.

Economic Factors

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in the year 2023 is the impact on expenses if Federal and/or State allocations are not received as expected.

Requests for Information

This financial report is designed to provide a general overview of South Tech Charter Academy, Inc. for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the South Tech Charter Academy, Inc.; 6161 W. Woolbright Road, Boynton Beach, FL 33437.

BASIC FINANCIAL STATEMENTS



**South Tech Charter Academy, Inc.
Statement of Net Position (Deficit)
June 30, 2022**

	Governmental Activities
Current Assets:	
Cash	\$ 4,736,584
Restricted cash	1,285,615
Due from government agencies	396,797
Lease receivable - due in less than one year	120,065
Prepaid items	346,094
	<hr/>
Total current assets	6,885,155
	<hr/>
Noncurrent Assets:	
Deposits	94,571
Lease receivable - due in more than one year	8,420,279
Capital assets, net of accumulated depreciation	9,890,830
	<hr/>
Total noncurrent assets	18,405,680
	<hr/>
Total assets	25,290,835
	<hr/>
Deferred Outflows of Resources:	
Deferred pension outflows	2,354,389
	<hr/>
Total assets and deferred outflows	27,645,224
	<hr/>
Current Liabilities:	
Accounts payable	34,386
Accrued liabilities	673,972
Unearned revenue	46,228
Due to related party	151,678
Debt - due in in less than one year	152,694
	<hr/>
Total current liabilities	1,058,958
	<hr/>
Noncurrent Liabilities:	
Compensated absences payable	620,938
Debt - due in in more than one year	11,442,464
Net pension liability	3,399,354
	<hr/>
Total noncurrent liabilities	15,462,756
	<hr/>
Total liabilities	16,521,714
	<hr/>
Deferred Inflows of Resources:	
Deferred rental income	8,540,344
Deferred pension inflows	2,989,231
	<hr/>
Total deferred inflows	11,529,575
	<hr/>
Total liabilities and deferred inflows	28,051,289
	<hr/>
Net Position (Deficit):	
Net investment in capital assets	(1,182,537)
Restricted for debt service	605,296
Unrestricted	171,176
	<hr/>
Total net position (deficit)	\$ (406,065)
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The accompanying notes to basic financial statements are an integral part of these statements.

South Tech Charter Academy, Inc.
Statement of Activities
For the Year Ended June 30, 2022

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Governmental</u>
		<u>Capital Grants and Contributions</u>	<u>Operating Grants and Contributions</u>	<u>Activities Net Revenue (Expense) and Change in Net Position</u>
Functions/Programs:				
Governmental activities:				
Instruction	\$ 7,374,220	\$ -	\$ 1,976,670	\$ (5,397,550)
Pupil personnel services	615,246	-	475,705	(139,541)
Instructional staff training	88,961	-	71,439	(17,522)
Instructional-related technology	4,698	-	-	(4,698)
Board expenditures	58,058	-	-	(58,058)
General administration	295,045	-	100,821	(194,224)
School administration	792,211	-	-	(792,211)
Fiscal services	195,141	-	-	(195,141)
Central services	176,492	-	-	(176,492)
Student transportation services	198,331	-	-	(198,331)
Operation and maintenance of plant	4,944,970	-	3,774,871	(1,170,099)
Administrative technology services	91,462	-	-	(91,462)
Interst and fiscal charges	603,060	-	-	(603,060)
	<u>15,437,895</u>	<u>-</u>	<u>6,399,506</u>	<u>(9,038,389)</u>
Total governmental activities	\$ <u>15,437,895</u>	\$ <u>-</u>	\$ <u>6,399,506</u>	<u>(9,038,389)</u>
General revenues:				
FTE nonspecific revenues				9,029,329
Contributions and other revenue				<u>2,549,259</u>
Total general revenues				<u>11,578,588</u>
Change in net position				2,540,199
Net position (deficit), July 1, 2021				<u>(2,946,264)</u>
Net position (deficit), June 30, 2022				\$ <u>(406,065)</u>

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

South Tech Charter Academy, Inc.
Balance Sheet - Governmental Funds
June 30, 2022

	General Fund	Grants Fund	South Tech Holdings Fund	Total
Assets:				
Cash	\$ 4,704,145	\$ -	\$ 32,439	\$ 4,736,584
Restricted cash	-	-	1,285,615	1,285,615
Due from government agencies	-	396,797	-	396,797
Due from grants fund	396,797	-	-	396,797
Prepaid items	263,042	-	-	263,042
Deposits	94,571	-	83,052	177,623
	<u>5,458,555</u>	<u>396,797</u>	<u>1,401,106</u>	<u>7,256,458</u>
Total assets	\$ <u>5,458,555</u>	\$ <u>396,797</u>	\$ <u>1,401,106</u>	\$ <u>7,256,458</u>
Liabilities:				
Accounts payable	\$ 26,501	\$ -	\$ 7,885	\$ 34,386
Accrued liabilities	537,118	-	105,336	642,454
Unearned revenue	-	-	46,228	46,228
Due to related party	151,678	-	-	151,678
Due to general fund	-	396,797	-	396,797
	<u>715,297</u>	<u>396,797</u>	<u>159,449</u>	<u>1,271,543</u>
Total liabilities	<u>715,297</u>	<u>396,797</u>	<u>159,449</u>	<u>1,271,543</u>
Fund Balances:				
Nonspendable for prepaid expenditures and deposits	357,613	-	83,052	440,665
Restricted for:				
Debt service	-	-	636,814	636,814
Capital projects	-	-	521,791	521,791
Assigned - school-based student activity organizations	161,904	-	-	161,904
Unassigned	4,223,741	-	-	4,223,741
	<u>4,743,258</u>	<u>-</u>	<u>1,241,657</u>	<u>5,984,915</u>
Total fund balances	<u>4,743,258</u>	<u>-</u>	<u>1,241,657</u>	<u>5,984,915</u>
Total liabilities and fund balances	\$ <u>5,458,555</u>	\$ <u>396,797</u>	\$ <u>1,401,106</u>	\$ <u>7,256,458</u>

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

South Tech Charter Academy, Inc.
 Reconciliation of the Balance Sheet - Governmental Funds
 to the Statement of Net Position (Deficit)
 June 30, 2022

Total Fund Balances - Governmental Funds \$ 5,984,915

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

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

Cost of capital assets	\$ 11,156,793	
Accumulated depreciation	<u>(1,265,963)</u>	9,890,830

Certain pension-related amounts, such as net pension liability and deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore, are not reported in the funds

Net pension liability	\$ (3,399,354)	
Deferred pension outflows	2,354,389	
Deferred pension inflows	<u>(2,989,231)</u>	(4,034,196)

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

Debt	\$ (11,595,158)	
Accrued interest payable	(31,518)	
Compensated absences	<u>(620,938)</u>	<u>(12,247,614)</u>

Net Position (Deficit) of Governmental Activities \$ (406,065)

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

South Tech Charter Academy, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2022

	<u>General Fund</u>	<u>Grants Fund</u>	<u>South Tech Holdings Fund</u>	<u>Total</u>
Revenues:				
State sources	\$ 9,029,329	\$ -	\$ -	\$ 9,029,329
Federal sources	-	2,779,329	-	2,779,329
Local sources	<u>5,324,707</u>	<u>-</u>	<u>844,729</u>	<u>6,169,436</u>
Total revenues	<u>14,354,036</u>	<u>2,779,329</u>	<u>844,729</u>	<u>17,978,094</u>
Expenditures:				
Current:				
Instruction	5,523,068	1,976,670	-	7,499,738
Pupil personnel services	165,141	475,705	-	640,846
Instructional staff training	19,883	71,439	-	91,322
Instructional-related technology	4,698	-	-	4,698
Board expenditures	58,960	-	-	58,960
General administration	129,066	100,821	71,155	301,042
School administration	816,634	-	-	816,634
Fiscal services	202,788	-	-	202,788
Central services	179,850	-	-	179,850
Student transportation services	199,424	-	-	199,424
Operation and maintenance of plant	4,462,909	154,694	41,196	4,658,799
Administrative technology services	95,416	-	-	95,416
Capital outlay	244,569	-	-	244,569
Debt service:				
Principal	46,489	-	125,000	171,489
Interest	10,687	-	573,888	584,575
Fiscal and other charges	<u>-</u>	<u>-</u>	<u>23,984</u>	<u>23,984</u>
Total expenditures	<u>12,159,582</u>	<u>2,779,329</u>	<u>835,223</u>	<u>15,774,134</u>
Excess of revenues over expenditures	<u>2,194,454</u>	<u>-</u>	<u>9,506</u>	<u>2,203,960</u>
Other Financing Sources:				
Issuance of debt	<u>94,849</u>	<u>-</u>	<u>-</u>	<u>94,849</u>
Net changes in fund balances	2,289,303	-	9,506	2,298,809
Fund Balances, July 1, 2021	<u>2,453,955</u>	<u>-</u>	<u>1,232,151</u>	<u>3,686,106</u>
Fund Balances, June 30, 2022	<u>\$ 4,743,258</u>	<u>\$ -</u>	<u>\$ 1,241,657</u>	<u>\$ 5,984,915</u>

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

**South Tech Charter Academy, Inc.
Reconciliation of the Statement of Revenues,
Expenditures and Change in Fund Balances -
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2022**

Change in Fund Balances - Governmental Funds \$ 2,298,809

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

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

Expenditures for capital assets	\$	244,569	
Less: current year depreciation		<u>(374,908)</u>	(130,339)

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

Change in deferred outflows, relating to the net pension liability			(231,441)
Change in deferred inflows, relating to the net pension liability			<u>(2,363,367)</u>

Debt proceeds and other financing sources provide current financial resources of governmental funds, while the repayment of the related debt principal consumes those financial resources. These transactions, however have no effect on net position in the current period.

Issuance of leases	\$	(94,849)	
Principal payments on debt		171,489	
Amortization of bond premium		5,134	
Change in accrued interest on bonds		<u>365</u>	82,139

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

Change in compensated absences	\$	(43,076)	
Change in the net pension liability		<u>2,927,474</u>	<u>2,884,398</u>

Change in Net Position of Governmental Activities \$ 2,540,199

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

Note 1 - Organization and Operations

South Tech Charter Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The School commenced operations in July 2004 and offers classes for grades nine through twelve in the City of Boynton Beach, Florida. One thousand one hundred and twenty nine (1,129) students were enrolled in classes when the school year ended June 30, 2022. The School is currently in the 18th year of operating as a conversion charter school.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring School Board, the School Board of Palm Beach County, Florida. The current charter is effective until June 30, 2035 and may be renewed in fifteen-year increments if the School remains a "High Performing School." At the end of the term of the charter, the Board may choose not to renew the charter under grounds specified in the charter, in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown.

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

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above, but do not meet the criteria for blending, given that they do not function as an internal part of the primary government. Currently, the School has no discretely presented component units.

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same as, substantially the same as, or appointed by the board of directors of the School and the component unit provides services (financial benefit) entirely to the School. Currently, the School has one blended component unit: South Tech Schools Holdings, LLC.

In June 2020, the School approved the articles of incorporation for the creation of South Tech Schools Holdings, LLC. ("Holdings"). Holdings was created as a Florida not for profit 501(c)(3) corporation which was formed to further the charitable and educational purposes of its sole member, the School. All activity of Holdings is presented in the South Tech Holdings Fund (a special revenue fund of the School). Separate financial statements of the blended component unit are not issued.

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

Note 2 - Summary of Significant Accounting Policies (continued)

Government-wide financial statements: Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

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

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

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

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

The School reports the following major funds:

- **General Fund** – This fund is employed in accounting for all the operating activities of the School except those required to be accounted for in another fund.
- **Grants Fund** – This fund is used to account for federal grants that are legally restricted to expenditures for particular purposes.
- **South Tech Holdings Fund** – This fund is used to account for the activity of South Tech Schools Holdings, LLC, a special revenue fund of the School.

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

- Nonspendable – amounts that are not in spendable form (such as prepaid items and deposits) or are legally or contractually required to be maintained intact.
- Restricted – amounts constrained to specific purposes by external providers (such as grantors) or imposed by law through constitutional provisions, or by enabling legislation.
- Committed – amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision-making authority (i.e., the School Board) through Resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School's Board takes the same highest-level action (i.e., Resolution) to remove or change the constraint.
- Assigned – amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the School's body or any delegated authority at their direction.
- Unassigned – amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund.

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Buildings and improvements	10-30 years
Furniture and equipment	5-10 years
Audio visual and computer software	5-10 years
Vehicles	8-10 years

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

Deferred outflows/inflows of resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2022, the School had deferred outflows of \$ 2,354,389 which is related to the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2022, the School had deferred inflows of \$ 2,989,231, which is related to the net pension liability, as well as \$ 8,540,344 relating to the net present value of future rental receipts expected to be received.

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

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

Income taxes: The School is a department of a nonprofit corporation whose revenue is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

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

Date of management's review: Subsequent events have been evaluated through September 19, 2022, which is the date the financial statements were available to be issued.

Note 3 - Budgets

The School formally adopted budgets for the General and Grants funds by function for the year ended June 30, 2022. The budgets have been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the final budgeted amounts for the General Fund and Grants Fund are presented as required supplemental information. There is no approved budget for the South Tech Holdings Fund.

Note 4 - Cash and Cash Equivalents

Deposits: At June 30, 2022 the total carrying amount of the School's cash balances was \$ 4,736,584. The bank balance at local depositories was \$ 4,748,264.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimal collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity at June 30, 2022.

Restricted cash: At June 30, 2022, the School maintains cash and cash equivalents restricted for future debt service payments in the amount of \$ 763,824 and future capital projects of \$ 521,791.

Note 5 - Capital Lease Receivable

In connection with the Educational Facility Lease Revenue Bonds discussed in Note 8, Holdings entered into a capital lease agreement with the School. The School then entered into a sublease agreement with South Tech Preparatory Academy, Inc. ("STP") (Note 9) for the use of the facility in which STP resides. This lease is concurrent with the term of the bonds (June 2055) and can be extended for two additional five-year terms. STP will pay the School an average monthly payment of approximately \$ 45,000, which includes interest at a rate of 5%. STP has an outstanding balance of \$ 8,540,344 at June 30, 2022.

In addition to the receivable, Holdings also received rental income from STP for the facility use. For the year ended June 30, 2022, income of approximately \$ 557,000 was recognized

The capital lease receivable and interest income payments that Holdings is expected to receive will be approximately as follows:

Year Ending June 30,	Capital Lease Receivable	Interest Income	Total
2023	\$ 120,000	\$ 424,000	\$ 544,000
2024	117,000	418,000	535,000
2025	121,000	412,000	533,000
2026	119,000	406,000	525,000
2027	128,000	400,000	528,000
2028-2032	736,000	1,897,000	2,633,000
2033-2037	944,000	1,689,000	2,633,000
2038-2042	1,218,000	1,420,000	2,638,000
2043-2047	1,567,000	1,075,000	2,642,000
2048-2052	2,003,000	631,000	2,634,000
2053-2055	1,467,000	116,000	1,583,000
Total	\$ <u>8,540,000</u>	\$ <u>8,888,000</u>	\$ <u>17,428,000</u>

In addition to the lease with STP as noted above, the School assumed an existing lease with a separate charter school, Florida High School for Accelerated Learning – West Palm Beach Campus, Inc. (the "Tenant"). The lease requires monthly payments in the amount of \$ 23,650 through August 2022. This lease also contains options to renew for two additional three-year periods. Holdings received rental income from the Tenant of approximately \$ 288,000 during the year ended June 30, 2022.

South Tech Charter Academy, Inc.
Notes to Basic Financial Statements
June 30, 2022

Note 6 - Capital Assets

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

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022
Capital assets, not being depreciated:				
Land	\$ 1,820,528	\$ -	\$ -	\$ 1,820,528
Capital assets, being depreciated:				
Building and improvements	8,229,752	-	-	8,229,752
Furniture and equipment	570,192	102,633	-	672,825
Audio visual and computer software	272,082	-	-	272,082
Vehicles	19,670	141,936	-	161,606
Total capital assets, being depreciated	9,091,696	244,569	-	9,336,265
Accumulated depreciation:				
Building and improvements	195,946	293,920	-	489,866
Furniture and equipment	407,866	72,535	-	480,401
Audio visual and computer software	268,723	2,859	-	271,582
Vehicles	18,520	5,594	-	24,114
Total accumulated depreciation	891,055	374,908	-	1,265,963
Net capital assets	\$ 10,021,169	\$ (130,339)	\$ -	\$ 9,890,830

The provision for depreciation for the year ended June 30, 2022 amounted to \$ 374,908 of which \$ 293,920 was allocated to operation and maintenance of plant, \$ 72,889 was allocated to instruction and \$ 8,099 was allocated to school administration.

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

Note 7 - Contingencies and Commitments

Grant funding: The School received financial assistance from federal, state, and local governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. In accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards Uniform Guidance) and the Florida Single Audit Act, the School is required to conduct "single audits" when the required threshold, which is \$ 750,000 for both federal and state financial assistance, is met. The School exceeded the federal threshold and thus a single audit is required under the Uniform Guidance.

South Tech Charter Academy, Inc.
Notes to Basic Financial Statements
June 30, 2022

Note 8 - Debt

Debt activity as of June 30, 2022 consists of the following:

	Balance at July 1, 2021	Additions	Deletions	Balance at June 30, 2022	Due In One Year
Bonds payable	\$ 11,470,000	\$ -	\$ 125,000	\$ 11,345,000	\$ 135,000
Bond premium	176,250	-	5,134	171,116	-
Lease payable	<u>30,682</u>	<u>94,849</u>	<u>46,489</u>	<u>79,042</u>	<u>17,694</u>
	<u>\$ 11,676,932</u>	<u>\$ 94,849</u>	<u>\$ 176,623</u>	<u>\$ 11,595,158</u>	<u>\$ 152,694</u>

Educational Facility Lease Revenue Bonds – Series 2020 A&B Issuance: During the year ended June 30, 2021, Holdings issued \$ 14,000,000 in Educational Facilities Lease Revenue Bonds, Series 2020A for \$ 11,315,000 and Series 2020B for \$ 260,000. These bonds were used to provide financing for real property of which South Tech Preparatory Academy, Inc. (Note 8) resides. The 2020A bonds bear interest at 5.00% through June 2055. The 2020B bonds bear interest at 5.25% through June 2023. The bonds required monthly payments to be made to a bond sinking escrow fund of approximately \$ 58,000 through June 2054 and \$ 117,000 from July 2054 through June 2055 where cash is accumulated for the annual principal and interest to be redeemed.

The bonds also contain financial covenants that the School is required to meet including, but not limited to days cash on hand and a long-term debt service coverage ratio. As of June 30, 2022, the School is in compliance with these covenants.

In addition, the Bonds are secured by pledge of all revenues, except certain Federal funds, and lease agreements executed in connection with the bond.

The annual debt service requirements are approximately as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 135,000	\$ 567,000	\$ 702,000
2024	140,000	560,000	700,000
2025	145,000	554,000	699,000
2026	155,000	546,000	701,000
2027	160,000	539,000	699,000
2028-2032	935,000	2,563,000	3,498,000
2033-2037	1,195,000	2,305,000	3,500,000
2038-2042	1,525,000	1,975,000	3,500,000
2043-2047	1,955,000	1,553,000	3,508,000
2048-2052	2,485,000	1,013,000	3,498,000
2053-2055	<u>2,515,000</u>	<u>290,000</u>	<u>2,805,000</u>
Total	<u>\$ 11,345,000</u>	<u>\$ 12,465,000</u>	<u>\$ 23,810,000</u>

Lease payable: The School is obligated under a lease agreement for equipment. The lease requires monthly installments of approximately \$ 1,800 including interest at 5.80% through July 2026. The remaining balance of this lease at June 30, 2022 is \$ 79,042.

Note 8 - Debt (Continued)

Approximate future payments under this lease are approximately as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 17,700	\$ 4,000	\$ 21,700
2024	18,700	3,000	21,700
2025	19,800	1,900	21,700
2026	21,000	700	21,700
2027	1,800	-	1,800
Total	\$ <u>79,000</u>	\$ <u>9,600</u>	\$ <u>88,600</u>

Note 9 - Related Party Transactions

The School is related to South Tech Preparatory Academy, Inc. (“STP”) through common board members. The School received grant funding of \$ 911,803 from the State of Florida Department of Education that was passed through to STP for its use. In addition, at June 30, 2022, the School has a payable balance to STP in the amount of \$ 151,678 which represents reimbursement of certain shared expenditures. In addition, STP is the subtenant for the lease agreement between the School and Holdings for the rental of the facility in with STP resides (Note 5).

Note 10 - Lease

The School leases facilities for its operations under an agreement with the School Board of Palm Beach County. The lease agreement became effective July 1, 2020 and will expire on June 30, 2035, concurrent with the charter agreement. The agreement provides that the School pays \$ 1 for the use of the County’s facilities. The School recorded an in-kind donation and respective rent expense in the amount of approximately \$ 301,700 per month, based on a fair value of \$ 16.68 per square foot. Total in-kind revenue and expense in connection with the facility lease amounted to approximately \$ 3,620,000 for the year ended June 30, 2022.

Note 11 - Florida Retirement System

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

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or by calling (877) 377-1737 or by visiting the website: http://www.dms.myflorida.com/workforce_operations/retirement/publications.

Note 11 - Florida Retirement System (continued)

Pension Plan:

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

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk Administrative Support class members who retire at or after age 55 with at least six years of credited service or 25 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Special Risk class members (sworn law enforcement officers, firefighters, and correctional officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers' class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% times the years of service (3.33% for judges and justices) times their final average compensation based on the five highest years of salary for each year of creditable service.

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

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before August 1, 2011, the annual cost of living adjustment ("COLA") is three percent per year. The COLA formula for retirees with an effective retirement date or DROP begin date on or after August 1, 2011, will be the sum of the pre-July 2011 service credit divided by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

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

Note 11 - Florida Retirement System (continued)

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2021 through June 30, 2022, were as follows: Regular - 10.82%; Special Risk Administrative Support – 37.76%; Special Risk - 25.89%; Senior Management Service – 29.01%; Elected Officers’ – 51.42%; and DROP participants - 18.34%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods from July 1, 2021 through June 30, 2022.

HIS Plan:

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

Benefits Provided - For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment of \$ 5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$ 30 and a maximum HIS payment of \$ 150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employer’s asset by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2022, the HIS contribution was 1.66%. The School contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022, the School reported liabilities of \$ 973,655 for its proportionate share of the FRS Plan’s net pension liability and \$ 2,425,699 for the HIS Plan’s net pension liability for a total net pension liability of \$ 3,395,354. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The School’s proportion of the net pension liability was based on a projection of the School’s 2021-22 fiscal year contributions relative to the 2020-21 fiscal year contributions of all participating members. At June 30, 2021, the School’s proportion was 0.01289003% for the FRS plan and 0.001977531% for the HIS plan, which were increases of 0.00297617% and 0.00314975%, respectively from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the School recognized pension income of \$ 391,417 for the FRS Plan and an expense of \$ 58,754 for the HIS Plan for a total pension expense (income) of \$ (332,663).

Note 11 - Florida Retirement System (continued)

At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	FRS Plan	HIS Plan	Total
Differences between expected and actual experience	\$ 168,969	\$ 66,210	\$ 235,179
Changes of assumptions	643,200	157,402	800,602
Net difference between projected and actual earnings on pension plan investments	-	2,042	2,042
Changes in proportion and differences between School contributions and proportionate share of contributions	401,128	204,749	605,877
School contributions subsequent to the measurement date	<u>700,541</u>	<u>10,148</u>	<u>710,689</u>
Total	<u>\$ 1,913,838</u>	<u>\$ 440,551</u>	<u>\$ 2,354,389</u>

	Deferred Inflows of Resources		
	FRS Plan	HIS Plan	Total
Differences between expected and actual experience	\$ 488	\$ 827	\$ 1,315
Changes of assumptions	-	107,831	107,831
Net difference between projected and actual earnings on pension plan investments	2,561,996	-	2,561,996
Changes in proportion and differences between School contributions and proportionate share of contributions	<u>153,420</u>	<u>164,669</u>	<u>318,089</u>
Total	<u>\$ 2,715,904</u>	<u>\$ 273,327</u>	<u>\$ 2,989,231</u>

Deferred outflows of resources related to the Pension Plan, totaling \$ 710,689 related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period ending June 30, 2023.

Note 11 - Florida Retirement System (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the pension plan will be recognized in pension expense as follows:

Year Ended June 30,	FRS Plan	HIS Plan	Total
2023	\$ (234,665)	\$ 73,910	\$ (160,755)
2024	\$ (297,123)	\$ 35,245	\$ (261,878)
2025	\$ (427,911)	\$ 28,638	\$ (399,273)
2026	\$ (571,079)	\$ 25,454	\$ (545,625)
2027	\$ 28,171	\$ (3,850)	\$ 24,321
Thereafter	\$ -	\$ (2,321)	\$ (2,321)

Actuarial Assumptions: The Florida Retirement System Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of both pension plans pursuant to section 216.136 (10), Florida Statutes. The Pension Plan's valuation is performed annually. The HIS Plan has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Plan is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the Pension Plan.

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	FRS Plan	HIS Plan
Inflation	2.40%	2.40%
Salary increases	3.25%, average, including inflation	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment expense, including inflation	N/A
Actuarial cost method	Individual entry age	Individual entry age
Mortality table	PUB-2010 with Projection Scale MP-2018	PUB-2010 with Projection Scale MP-2018

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

Note 11 - Florida Retirement System (continued)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.1%	2.1%	1.1%
Fixed income	20.0%	3.8%	3.7%	3.3%
Global equity	54.2%	8.2%	6.7%	17.8%
Real estate	10.3%	7.1%	6.2%	13.8%
Private equity	10.8%	11.7%	8.5%	26.4%
Strategic investments	3.7%	5.7%	5.4%	8.4%
Total	100.0%			
Assumed Inflation - Mean			2.4%	1.2%

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

Discount Rate: The discount rate used to measure the total pension liability was 6.80% for the FRS Plan. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the total pension liability was 2.16% for the HIS Plan. In general, the discount rate for calculating the HIS Plan's total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the municipal bond rate of 2.16% was used to determine the total pension liability. The Bond Buyer General Obligation Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate: The following table represents sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis, below, shows the impact of the School's proportionate share of the net pension liability if the discount rate was 1.00% lower or 1.00% higher than the current discount rate at June 30, 2021.

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
School's proportionate share of the net pension liability for FRS Plan	\$ 4,354,432	\$ 973,655	\$ (1,852,221)
	1% Decrease 1.16%	Current Discount Rate 2.16%	1% Increase 3.16%
School's proportionate share of the net pension liability for HIS Plan	\$ 2,804,389	\$ 2,425,699	\$ 2,115,520

Note 11 - Florida Retirement System (continued)

Investment Plan:

The SBA (State Board of Administration) administered the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS Defined Benefit Plan. School employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual members' accounts, are defined by law, but the ultimate benefit depends, in part, on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates, that are based on salary and membership class, as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment members' accounts during the 2021-2022 fiscal year, as established by Section 121.72, Florida Statutes, are based on percentage of gross compensation, by class, as follows:

<u>Class</u>	<u>Allocation Rate</u>
Elected Officials	11.34%
Senior Management	7.67%
Special Risk	14.00%
Regular Employees	6.30%

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan vesting is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on these funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over his or her account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2022, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the School.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The School's pension expense for the Investment Plan totaled \$ 236,014 for the fiscal year ended June 30, 2022.

Note 12 - Risk Financing

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

REQUIRED SUPPLEMENTAL INFORMATION



South Tech Charter Academy, Inc.
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2022

	Original and Final Budgeted Amounts	Actual Amounts	Favorable (Unfavorable) Variance
Revenues:			
State sources	\$ 8,912,804	\$ 9,029,329	\$ 116,525
Local sources	<u>222,500</u>	<u>5,324,707</u>	<u>5,102,207</u>
Total revenues	<u>9,135,304</u>	<u>14,354,036</u>	<u>5,218,732</u>
Expenditures:			
Current:			
Instruction	5,317,243	5,523,068	(205,825)
Pupil personnel services	527,648	165,141	362,507
Instructional staff training	54,436	19,883	34,553
Instructional-related technology	4,800	4,698	102
Board expenditures	73,264	58,960	14,304
General administration	166,562	129,066	37,496
School administration	750,746	816,634	(65,888)
Fiscal services	193,321	202,788	(9,467)
Central services	194,609	179,850	14,759
Student transportation services	675,000	199,424	475,576
Operation and maintenance of plant	1,030,363	4,462,909	(3,432,546)
Administrative technology services	81,902	95,416	(13,514)
Capital outlay	-	244,569	(244,569)
Debt service:			
Principal	-	46,489	(46,489)
Interest	<u>-</u>	<u>10,687</u>	<u>(10,687)</u>
Total expenditures	<u>9,069,894</u>	<u>12,159,582</u>	<u>(3,089,688)</u>
Excess of revenues over expenditures	<u>65,410</u>	<u>2,194,454</u>	<u>2,129,044</u>
Other Financing Sources:			
Issuance of debt	<u>-</u>	<u>94,849</u>	<u>94,849</u>
Net change in fund balance	<u>\$ 65,410</u>	<u>\$ 2,289,303</u>	<u>\$ 2,223,893</u>

South Tech Charter Academy, Inc.
Budgetary Comparison Schedule - Grants Fund
For the Year Ended June 30, 2022

	Original and Final Budgeted Amounts	Actual	Favorable (Unfavorable) Variance
Revenues:			
Title I funds	\$ 360,895	\$ 478,724	\$ 117,829
IDEA grant revenues	252,183	440,449	188,266
Elementary and secondary emergency relief fund (ESSER)	1,219,588	1,717,816	498,228
Title II funds	52,219	75,886	23,667
Title IV funds	26,283	43,350	17,067
Title III funds	<u>9,251</u>	<u>23,104</u>	<u>13,853</u>
Total revenues	<u>1,920,419</u>	<u>2,779,329</u>	<u>858,910</u>
Expenditures:			
Current:			
Instruction	1,365,810	1,976,670	(610,860)
Pupil personnel services	328,695	475,705	(147,010)
Instructional staff training	49,362	71,439	(22,077)
General administration	69,664	100,821	(31,157)
Operation and maintenance of plant	<u>106,888</u>	<u>154,694</u>	<u>(47,806)</u>
Total expenditures	<u>1,920,419</u>	<u>2,779,329</u>	<u>(858,910)</u>
Net change in fund balance	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>

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

Fiscal year: Measurement date:	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
South Tech Charter Academy, Inc.'s proportion of the net pension liability	0.00974409%	0.00836097%	0.00834050%	0.00973003%	0.01044954%	0.01091047%	0.00991386%	0.01289003%
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability	\$ 594,532	\$ 1,136,874	\$ 2,105,972	\$ 2,878,078	\$ 3,149,260	\$ 3,741,809	\$ 4,296,813	\$ 973,655
South Tech Charter Academy, Inc.'s covered payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666	\$ 6,742,656	\$ 3,681,281	\$ 3,672,373	\$ 3,137,605
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered payroll	11.12%	21.71%	36.92%	56.29%	46.71%	101.64%	117.00%	31.03%
Plan fiduciary net position as a percentage of total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%	82.61%	78.85%	96.40%

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

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

Fiscal year: Measurement date:	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021	6/30/2022
	6/30/2014	6/30/2015	6/30/2016	6/30/2017	6/30/2018	6/30/2019	6/30/2020	6/30/2021
South Tech Charter Academy, Inc.'s proportion of the net pension liability	0.01633962%	0.01399307%	0.01554903%	0.01716585%	0.01787893%	0.01875909%	0.01662555%	0.01977531%
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability	\$ 1,527,795	\$ 1,573,434	\$ 1,812,164	\$ 1,835,609	\$ 1,890,353	\$ 2,114,564	\$ 2,030,015	\$ 2,425,699
South Tech Charter Academy, Inc.'s covered-employee payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666	\$ 6,742,656	\$ 5,784,256	\$ 5,826,430	\$ 5,500,309
South Tech Charter Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll	28.58%	30.05%	31.77%	35.90%	28.04%	36.56%	34.84%	44.10%
Plan fiduciary net position as a percentage of total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%	2.63%	3.00%	3.56%

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

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

	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 203,848	\$ 203,823	\$ 253,297	\$ 297,803	\$ 338,303	\$ 340,471	\$ 376,855	\$ 358,084
Contributions in related to the contractually required contribution	<u>(203,848)</u>	<u>(203,823)</u>	<u>(253,297)</u>	<u>(297,803)</u>	<u>(338,303)</u>	<u>(340,471)</u>	<u>(376,855)</u>	<u>(358,084)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
South Tech Charter Academy, Inc.'s covered payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666	\$ 6,742,656	\$ 3,681,281	\$ 3,672,373	\$ 3,137,605
Contributions as a percentage of covered payroll	3.81%	3.89%	4.44%	5.82%	5.02%	9.25%	10.26%	11.41%

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

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

	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required contribution	\$ 53,490	\$ 79,698	\$ 90,846	\$ 96,958	\$ 104,167	\$ 96,019	\$ 96,719	\$ 91,305
Contributions in related to the contractually required contribution	(53,490)	(79,698)	(90,846)	(96,958)	(104,167)	(96,019)	(96,719)	(91,305)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
South Tech Charter Academy, Inc.'s covered payroll	\$ 5,345,522	\$ 5,236,574	\$ 5,704,323	\$ 5,112,666	\$ 6,742,656	\$ 5,784,256	\$ 5,826,430	\$ 5,500,309
Contributions as a percentage of covered payroll	1.00%	1.52%	1.59%	1.90%	1.54%	1.66%	1.66%	1.66%

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Tech Charter Academy, Inc. (the "School") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 19, 2022.

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the 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

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 19, 2022

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Tech Charter Academy, Inc.'s, (the "School") compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2022. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

South Tech Charter Academy, Inc.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 19, 2022

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

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

Report on the Financial Statements

We have audited the financial statements of South Tech Charter Academy, Inc. (the "School") as of and for the year ended June 30, 2022 and have issued our report thereon dated September 19, 2022.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.850, Rules of the Auditor General.

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance required by the Uniform Guidance and Schedule of Findings and Question Costs. Disclosures in those reports and schedule, which are dated September 19, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity 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 are South Tech Charter Academy, Inc. and 501571.

Financial Condition and Management

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

South Tech Charter Academy, Inc.

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, requires us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 19, 2022

**South Tech Charter Academy, Inc.
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022**

Federal Agency Name:	Federal Agency/Federal Program	Assistance Listing Number	Contract/Grant Number	Expenditures	Transfers to Subrecipients
Indirect Programs:					
U.S. Department of Education - Passed through Florida Department of Education - Passed through South Tech Charter Academy, Inc.					
Education Stabilization Fund (ESF)					
Governor's Emergency Education Relief (GEER) Fund		84.425C *	50D-1230F-1C001	\$ 1,891	\$ 1,047
Elementary and Secondary School Emergency Relief Fund (ESSER)		84.425D *	50D-1240A-1C001	74,238	16,030
Elementary and Secondary School Emergency Relief Fund (ESSER II)		84.425D **	50D-1241E-1CR01	1,085,262	405,575
Elementary and Secondary School Emergency Relief (ICP)		84.425D *	50D-1240C-1C001	10,000	1,500
American Rescue Plan - Elementary and Secondary School Emergency Relief (ARP ESSER)		84.425U ***	50D-1211A-2C001	544,825	163,538
American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth		84.425W ***	50D-1221B-2CR01	1,600	300
Total Education Stabilization Fund				1,717,816	587,990
Title I Grants to Local Educational Agencies (Title I, Part A of the ESEA)		84.010	50D-2122B-2CB01	478,724	150,555
Special Education - Grants to States (IDEA, Part B)		84.027	50D-2632B-2CB01	402,388	101,334
		84.027X ***	50D-2632R-2CB01	38,061	8,241
Total Special Education - Grants to States (IDEA, Part B)				440,449	109,575

See Notes to Schedule of Expenditures of Federal Awards.

**South Tech Charter Academy, Inc.
Schedule of Expenditures of Federal Awards
(Continued)
For the Year Ended June 30, 2022**

Federal Agency/Federal Program	Assistance Listing Number	Contract/ Grant Number	Expenditures	Transfers to Subrecipients
Federal Agency Name:				
Indirect Programs:				
U.S. Department of Education - Passed through Florida Department of Education - Passed through South Tech Charter Academy, Inc.	84.365	50D-1022B-2C001	23,104	11,014
English Language Acquisition State Grants				
Supporting Effective Instruction State Grant	84.367	50D-2242B-2CT01	75,886	31,232
Student Support and Academic Enrichment Program	84.424	50D-2412A-2C001	43,350	21,437
Total U.S. Department of Education			<u>2,779,329</u>	<u>911,803</u>
Total Expenditures of Federal Awards			<u>\$ 2,779,329</u>	<u>\$ 911,803</u>

* Denotes amounts funded by the Coronavirus Aid, Relief, and Economic Security Act
 ** Denotes amounts funded by the Coronavirus Response and Relief Supplemental Appropriations Act
 *** Denotes amounts funded by the American Rescue Plan Act of 2021

See Notes to Schedule of Expenditures of Federal Awards.

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal award activity of South Tech Charter Academy, Inc. (the "School") under programs of the federal government for the year ended June 30, 2022. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Contingency

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

Note 4 - Indirect Cost Rate

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

Note 5 - Related Party

As discussed in Note 8 of the financial statements, the School received grant funding of \$ 911,803 from the State of Florida Department of Education that was passed through to South Tech Preparatory Academy, Inc., which is a related party to the School.

**South Tech Charter Academy, Inc.
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2022**

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:

Unmodified Opinion

Internal control over financial reporting:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

Internal control over major federal programs:

Material weakness(es) identified?

yes no

Significant deficiency(ies) identified?

yes none reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified Opinion

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

yes no

Identification of major federal program:

Assistance Listing No.

Federal Program or Cluster

84.425

Department of Education - Education Stabilization Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

None Reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None Reported.

SECTION IV - PRIOR YEAR AUDIT FINDINGS

None Reported.