

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

BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION

JUNE 30, 2023



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Sarasota Military Academy, Inc.

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sarasota Military Academy, Inc., (the "School") (a component unit of the School Board of Sarasota County, Florida) as of and for the year ended June 30, 2023, 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 Sarasota Military Academy, Inc. as of June 30, 2023, 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. Our responsibilities under those standards are further described in the Auditors' 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 26, 2023

SARASOTA MILITARY ACADEMY, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

The following pages represent Management's Discussion and Analysis (MD&A) of Sarasota Military Academy, Inc. a charter school and component unit of the School Board of Sarasota County, Florida (the "School"). It depicts and reviews the financial picture and activities of the School as of and for the year ended June 30, 2023.

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

Using the Financial Statements

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

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

Financial Highlights

Statement of Net Position

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Current and other assets	\$ 1,858,364	\$ 2,158,741	\$ (300,377)
Capital assets	18,853,352	18,730,099	123,253
Right to use leased assets	<u>345,976</u>	<u>-</u>	<u>345,976</u>
Total Assets	<u>21,057,692</u>	<u>20,888,840</u>	<u>168,852</u>
Deferred Outflow of Resources	<u>(642,994)</u>	<u>(93,522)</u>	<u>(549,472)</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 20,414,698</u>	<u>\$ 20,795,318</u>	<u>\$ (380,620)</u>
Current liabilities	\$ 556,580	\$ 555,272	\$ 1,308
Noncurrent liabilities	<u>17,487,374</u>	<u>14,218,487</u>	<u>3,268,887</u>
Total Liabilities	<u>18,043,954</u>	<u>14,773,759</u>	<u>3,270,195</u>
Deferred Inflow of Resources	<u>905,111</u>	<u>4,439,172</u>	<u>(3,534,061)</u>
Net investment in capital	8,901,910	7,883,416	1,018,494
Restricted	28,337	19,927	8,410
Unrestricted	<u>(7,464,614)</u>	<u>(6,320,956)</u>	<u>(1,143,658)</u>
Total Net Position	<u>1,465,633</u>	<u>1,582,387</u>	<u>(116,754)</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 20,414,698</u>	<u>\$ 20,795,318</u>	<u>\$ (380,620)</u>

Total assets decreased 1.8% due to the net increase in fixed assets of approximately \$469,000 in the current year and the decrease in deferred outflow of resources of approximately \$549,000.

Deferred outflow of resources decreased by 587.5% due to the estimated pension contribution in the current year to the Florida Retirement System (FRS) Pension Plan and the Retiree Health Insurance Subsidy (HIS) Program as required by Governmental Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

Total liabilities decreased 1.4% this year due to the net increase in the net pension liability (NPL) for the FRS and HIS programs of approximately \$3,600,000, the decrease in the interest rate swap liability of approximately \$173,000, the decrease in debt by the pay down of the bond and note principals of approximately \$570,000 and the increase in lease liability of approximately \$358,000, which were offset by the decrease in the deferred inflow of resources by approximately \$3,500,000.

Deferred inflow of resources decreased 79.6% due to the difference between projected and actual earnings on investments of the FRS and HIS programs and the effect of economic/demographic gains and losses.

SARASOTA MILITARY ACADEMY, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Statement of Activities

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 300,803	\$ 384,589	\$ (83,786)
Capital grants and contributions	639,189	640,636	(1,447)
General revenues			
Grants and contributions not restricted to specific programs	12,700,227	12,012,859	687,368
Investment income (loss)	173,655	373,724	(200,069)
Other	<u>517,423</u>	<u>523,818</u>	<u>(6,395)</u>
Total revenues	<u>14,331,297</u>	<u>13,935,626</u>	<u>395,671</u>
Expenses			
Basic instruction	7,197,171	6,870,305	326,866
Exceptional instruction	837,526	658,818	178,708
Other instruction	347,969	240,540	107,429
Guidance services	287,566	307,944	(20,378)
Health services	166,301	156,119	10,182
Instructional media services	129,847	350,212	(220,365)
School administration	2,519,622	2,487,870	31,752
Facilities acquisition and construction	-	158	(158)
Fiscal services	353,790	290,311	63,479
Pupil transportation	514,818	347,100	167,718
Operation of plant	1,604,497	1,429,661	174,836
Maintenance of plant	110,756	89,733	21,023
Debt service	<u>378,188</u>	<u>385,181</u>	<u>(6,993)</u>
Total expenses	<u>14,448,051</u>	<u>13,613,952</u>	<u>834,099</u>
Change in net position	(116,754)	321,674	(438,428)
Net position, beginning of year	<u>1,582,387</u>	<u>1,260,713</u>	<u>321,674</u>
Net position, end of year	<u>\$ 1,465,633</u>	<u>\$ 1,582,387</u>	<u>\$ (116,754)</u>

Total revenue increased approximately 2.8% due to the increase in district school taxes of approximately \$577,000 and the increase in unrestricted donations of approximately \$197,500, which were offset by the change in value of the interest rate swap that decreased by approximately \$200,600 along with the decrease in millage capital of approximately \$125,800 and the decrease of federal direct revenue of approximately \$97,000.

Overall expenditures increased approximately 6.1% due to an increase in basic instruction of approximately \$327,000, exceptional instruction of approximately \$179,000, pupil transportation of approximately \$168,000, other instruction of approximately \$107,000 and operation of plant of approximately \$175,000. These were offset by the decrease in instructional media services expenses of approximately \$220,000.

SARASOTA MILITARY ACADEMY, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Capital Assets

Below is a schedule of the School's capital assets as of June 30, 2023 and 2022. See Note 5 to the financial statements for a detail of the changes during the fiscal year.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Capital assets, not being depreciated			
Land	\$ 8,398,300	\$ 8,398,300	\$ -
Capital assets, being depreciated			
Land improvements	153,483	115,977	37,506
Building and improvements	13,970,558	13,934,612	35,946
Furniture, fixtures and equipment	3,804,262	3,108,901	695,361
Motor vehicles	<u>793,027</u>	<u>768,199</u>	<u>24,828</u>
Total capital assets being depreciated	18,721,330	17,927,689	793,641
Less accumulated depreciation	<u>8,266,278</u>	<u>7,595,890</u>	<u>670,388</u>
Total capital assets being depreciated, net	<u>10,455,052</u>	<u>10,331,799</u>	<u>123,253</u>
Capital assets, net	<u>\$ 18,853,352</u>	<u>\$ 18,730,099</u>	<u>\$ 123,253</u>

Capital asset changes during the year mainly included investments in computer equipment and interactive TVs along with minimal investments in building and land improvements and vehicles, which were offset by the annual depreciation of current capital assets.

Leased Asset Activity

At June 30, 2023, the School had \$345,976 in leased assets, net of amortization. The School began recording leased assets in fiscal year 2022-23, pursuant to Governmental Accounting Standards Board (GASB) Statement No. 87 - Leases. Refer to Note 7 in the notes to the financial statements for additional information on the leased assets.

Debt

Below is a schedule of outstanding debt as of June 30, 2023 and 2022. See Note 6 to the financial statements for a detail of changes during the fiscal year and specific debt provisions.

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Bonds payable	\$ 9,997,752	\$ 10,568,006	\$ (570,254)
Total debt payable	<u>\$ 9,997,752</u>	<u>\$ 10,568,006</u>	<u>\$ (570,254)</u>

Changes in debt during the year included payment of principal for bonds and notes of approximately \$570,000. The School intends to use a pay-as-you-go approach for any future renovations. New construction will rely on support from the foundation accumulated from donations involving a capital improvement campaign.

Net Pension Liability

The components of the net pension liability for each defined benefit plan for the measurement date of June 30, 2022 are show below:

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Net Pension Liability – FRS	\$ 5,076,588	\$ 1,065,852	\$ 4,010,736
Net Pension Liability – HIS	<u>2,082,819</u>	<u>2,439,695</u>	<u>(356,876)</u>
Total Net Pension Liability	<u>\$ 7,159,407</u>	<u>\$ 3,505,547</u>	<u>\$ 3,653,860</u>

Economic Factors and the Budget

The School's overall expenses increased by \$834,099 and overall revenues increased by \$395,671.

The viability of the School continues to rest with conservative and innovative financial management, with the primary focus on meeting the academic needs of our student body. For the year ended June 30, 2023, our fiscal situation remained stable. Furthermore, the Sarasota County school district continues to provide to their charter schools a share of the local millage for capital improvements. The receipt of the ESSER Grants, in addition to the capital improvement funds received from the district, will free up operational resources for other requirements.

SARASOTA MILITARY ACADEMY, INC.
Management's Discussion and Analysis (Unaudited)
June 30, 2023

Request for Information

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

BASIC FINANCIAL STATEMENTS

SARASOTA MILITARY ACADEMY, INC.

Statement of Net Position

June 30, 2023

	Primary Government	Component Unit
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 1,531,380	\$ 225,210
Accounts receivable	-	6,720
Due from other governments	320,631	-
Prepaid items	6,353	-
Total Current Assets	1,858,364	231,930
Noncurrent Assets		
Capital assets, net of depreciation	18,853,352	-
Right to use leased assets, net of amortization	345,976	-
Total Noncurrent Assets	19,199,328	-
Total Assets	21,057,692	231,930
Deferred Outflows of Resources		
Deferred outflows related to pensions - FRS	(467,357)	-
Deferred outflows related to pensions - HIS	(175,637)	-
Total Deferred Outflows of Resources	(642,994)	-
Total Assets and Deferred Outflows of Resources	\$ 20,414,698	\$ 231,930
 LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts payable	\$ 47,109	\$ 20,112
Accrued expenses	509,471	1,253
Total Current Liabilities	556,580	21,365
Noncurrent Liabilities		
Due within one year	713,810	-
Due in more than one year	16,773,564	-
Total Noncurrent Liabilities	17,487,374	-
Total Liabilities	18,043,954	21,365
Deferred Inflows of Resources		
Deferred inflows related to pensions - FRS	287,009	-
Deferred inflows related to pensions - HIS	618,102	-
Total Deferred Inflows from Resources	905,111	-
Total Liabilities and Deferred Inflows of Resources	18,949,065	21,365
Net position		
Net investment in capital	8,901,910	-
Restricted	28,337	54,359
Unrestricted	(7,464,614)	156,206
Total net position	1,465,633	210,565
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 20,414,698	\$ 231,930

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

SARASOTA MILITARY ACADEMY, INC.

Statement of Activities

For the Year Ended June 30, 2023

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
Primary government:					
Governmental activities					
Basic instruction	\$ 7,197,171	\$ 232,655	\$ 639,189	\$ (6,325,327)	
Exceptional instruction	837,526	59,491	-	(778,035)	
Other instruction	347,969	8,657	-	(339,312)	
Guidance services	287,566	-	-	(287,566)	
Health services	166,301	-	-	(166,301)	
Instructional media services	129,847	-	-	(129,847)	
School administration	2,519,622	-	-	(2,519,622)	
Fiscal services	353,790	-	-	(353,790)	
Pupil transportation	514,818	-	-	(514,818)	
Operation of plant	1,604,497	-	-	(1,604,497)	
Maintenance of plant	110,756	-	-	(110,756)	
Debt service	378,188	-	-	(378,188)	
Total governmental activities	\$ 14,448,051	\$ 300,803	\$ 639,189	\$(13,508,059)	
Component unit:					
Foundation	\$ 582,143	\$ 287,578	\$ -		(294,565)
General revenues:					
Grants and contributions not restricted to specific programs				12,700,227	59,991
Investment income				173,655	-
Other				517,423	26,559
Total general revenues				13,391,305	86,550
Change in net assets				(116,754)	(208,015)
Net position at beginning of year				1,582,387	418,580
Net position at end of year				\$ 1,465,633	\$ 210,565

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

SARASOTA MILITARY ACADEMY, INC.
Combined Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Capital Projects Fund	Total Primary Government	Component Unit	Total Governmental Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,531,380	\$ -	\$ 1,531,380	\$ 225,210	\$ 1,756,590
Accounts receivable	-	-	-	6,720	6,720
Due from other governments	320,631	-	320,631	-	320,631
Prepaid items	6,353	-	6,353	-	6,353
Total Assets	\$ 1,858,364	\$ -	\$ 1,858,364	\$ 231,930	\$ 2,090,294
 LIABILITIES AND FUND BALANCES					
Current Liabilities					
Accounts payable	\$ 47,109	\$ -	\$ 47,109	\$ 20,112	\$ 67,221
Accrued expenses	509,471	-	509,471	1,253	510,724
Total Liabilities	556,580	-	556,580	21,365	577,945
 Fund Balance					
Nonspendable	6,353	-	6,353	-	6,353
Restricted	28,337	-	28,337	54,359	82,696
Unassigned	1,267,094	-	1,267,094	156,206	1,423,300
Total Fund Balance	1,301,784	-	1,301,784	210,565	1,512,349
Total Liabilities and Fund Balance	\$ 1,858,364	\$ -	\$ 1,858,364	\$ 231,930	\$ 2,090,294

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

SARASOTA MILITARY ACADEMY, INC.
Reconciliation of the Combined Balance Sheet of the Governmental Funds
to the Statement of Net Position
June 30, 2023

		Primary Government
Total Fund Balance - Governmental Funds		\$ 1,301,784
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Capital assets	\$ 27,119,630	
Less accumulated depreciation	(8,266,278)	18,853,352
<p>Right to use leased assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Right to use leased assets	455,232	
Less accumulated amortization	(109,256)	345,976
<p>Noncurrent liabilities used in governmental activities are not financial uses and therefore are not reported in the governmental funds.</p>		
Interest rate swap	46,312	
Compensated absences	(18,307)	
Net pension liability - HIS	(2,082,819)	
Net pension liability - FRS	(5,076,588)	
Leases	(358,219)	
Bonds payable	(9,997,753)	(17,487,374)
<p>Deferred outflows and inflows related to net pension liability are based on the differences between actuarially determined actual and expected investment returns, changes in the actuarially determined proportion of the Charter School's amount of total pension liability and pension contributions made after the measurement date of the net pension liability. These amounts will be amortized over the estimated remaining average service life of the employees.</p>		
Deferred outflows related to pension - FRS & HIS	(642,994)	
Deferred inflows related to pension - FRS & HIS	(905,111)	(1,548,105)
Net Position of Governmental Activities		\$ 1,465,633

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

SARASOTA MILITARY ACADEMY, INC.

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

For the Year Ended June 30, 2023

	General Fund	Capital Projects Fund	Total Primary Government	Component Unit	Total Governmental Funds
Revenues					
Federal direct	\$ 232,655	\$ -	\$ 232,655	\$ -	\$ 232,655
Federal through state	76,219	-	76,219	-	76,219
State	8,686,337	639,189	9,325,526	-	9,325,526
Local	3,581,463	152,038	3,733,501	-	3,733,501
Other	789,741	-	789,741	374,128	1,163,869
Investment income	717	-	717	-	717
	13,367,132	791,227	14,158,359	374,128	14,532,487
Expenditures					
Education					
Basic instruction	6,490,212	-	6,490,212	-	6,490,212
Exceptional instruction	780,668	-	780,668	-	780,668
Other instruction	347,643	-	347,643	-	347,643
Guidance services	270,917	-	270,917	-	270,917
Health services	155,188	-	155,188	-	155,188
Instructional media services	16,384	-	16,384	-	16,384
School administration	2,372,375	-	2,372,375	-	2,372,375
Fiscal services	334,799	-	334,799	-	334,799
Pupil transportation	454,621	-	454,621	-	454,621
Operation of plant	1,405,596	-	1,405,596	-	1,405,596
Maintenance of plant	89,558	-	89,558	-	89,558
Capital outlay	793,641	-	793,641	-	793,641
Debt service					
Principal	570,254	-	570,254	-	570,254
Interest	378,188	-	378,188	-	378,188
Foundation	-	-	-	582,143	582,143
	14,460,044	-	14,460,044	582,143	15,042,187
Excess (deficit) of revenues over expenditures	(1,092,912)	791,227	(301,685)	(208,015)	(509,700)
Other financing sources (uses)					
Transfer between funds	791,227	(791,227)	-	-	-
Net change in fund balance	(301,685)	-	(301,685)	(208,015)	(509,700)
Fund balance at beginning of year	1,603,469	-	1,603,469	418,580	2,022,049
Fund balance at end of year	\$ 1,301,784	\$ -	\$ 1,301,784	\$ 210,565	\$ 1,512,349

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

SARASOTA MILITARY ACADEMY, INC.
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of the Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2023

		Primary Government
Net Change in Fund Balance - Governmental Funds		\$ (301,685)
Amounts reported in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.</p>		
Capital outlay expenditures	\$ 793,641	
Less current year depreciation	(670,388)	123,253
Right to use leased asset expenditures which were capitalized	97,013	
Amortization expense for right to use leased assets	(109,256)	(12,243)
<p>Repayment of principal is an expenditure in the governmental funds, but, the repayment reduces noncurrent liabilities in the statement of net position.</p>		
Principal repayments	570,254	570,254
<p>Pension expenses in the statement of activities differ from the amount reported in the governmental funds because pension expenses are recognized on the statement of activities based on the School's proportionate share of the expenses of the cost-sharing pension plan, whereas pension expenditures are recognized in the governmental funds when a requirement to remit contributions to the plan exists.</p>		
	(669,271)	(669,271)
<p>In the statement of activities, some revenues and expenses do not require the source or use of current financial resources and, therefore, are not reported as a revenue or expenditure in the governmental funds.</p>		
Change in value of interest rate swap	172,938	172,938
Change in Net Position - Governmental Activities		\$ (116,754)

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

SARASOTA MILITARY ACADEMY, INC.

Statement of Fiduciary Net Position

Fiduciary Funds

June 30, 2023

	<u>Custodial Funds</u>
ASSETS	
Current Assets	
Cash and cash equivalents	<u>\$ 57,596</u>
Total Assets	<u><u>\$ 57,596</u></u>
 LIABILITIES	
Total Liabilities	<u>\$ -</u>
 NET POSITION	
Restricted for:	
Individuals, organizations, and other governments	<u>57,596</u>
Total Net Position	<u><u>\$ 57,596</u></u>

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

SARASOTA MILITARY ACADEMY, INC.
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2023

	Custodial Funds
ADDITIONS	
Miscellaneous	\$ 217,016
Total additions	217,016
 DEDUCTIONS	
Payments for athletics, class and club activities	195,868
Total deductions	195,868
Net increase (decrease) in fiduciary net position	21,148
Net position - beginning	36,448
Net position - ending	\$ 57,596

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

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 1 – ORGANIZATION

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Government-Wide and Fund Financial Statements

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

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

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

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

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

B. Government-Wide and Fund Financial Statements – Continued

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

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

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

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

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

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

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

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

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

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

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

D. Budgetary Basis of Accounting

The annual budget was adopted on the modified accrual basis of accounting. The level of budgetary control is at the entity level. All annual appropriations lapse at fiscal year-end. For fiscal year ended June 30, 2023, expenses exceeded appropriations by \$301,685.

E. Cash Deposits

All deposits are held in a major bank and consist primarily of demand deposits at June 30, 2023. For financial reporting purposes, cash and cash equivalents include all highly liquid investments with a maturity of three months or less.

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

F. Prepaid Items

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

G. Capital Assets

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

H. Interest Rate Swap

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

I. Compensated Absences

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

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

J. Deferred Outflows and Inflows of Resources

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

K. Pensions

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

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

L. Bonds Payable

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

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

M. Leases

The School is a lessee for leases of equipment. A lease liability and an intangible right-to-use lease asset (RTU lease asset) are recognized in the government-wide financial statements for each lessee transaction.

At the commencement of each lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liabilities are reduced by the principal portions of lease payments made. The RTU lease assets are measured as the initial amount of the individual lease liabilities, adjusted for lease payments made at or before the lease commencement dates, plus certain initial direct costs. Subsequently, the RTU lease assets are amortized on a straight-line basis over their useful lives.

The School calculates operating lease liabilities using the interest rate charged by the lessor as the discount rate. When an interest rate charged by the lessor is not provided, the risk-free rate, using a comparable period with the lease term, is used as the discount rate for leases. Lease payments for leases with a term of 12 months or less are expensed on a straight-line basis over the term of the lease with no lease asset or liability recognized.

N. Fund Equity

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

O. Net Position

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

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

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

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

P. Fund Balance

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

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

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

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

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

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

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

Q. Fund Balance/Net Position Policy

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

R. Revenue Sources

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

The School also receives federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Additional revenues are derived from various fundraising activities, contributions and interest earned.

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

S. Income Taxes

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3). The School's status as a tax exempt not-for-profit entity is considered a tax position subject to reporting requirements under FASB Accounting Standards Codification 740-10. Entities are required to examine all tax positions and determine if it is more likely than not that the positions would be sustained upon examination by taxing authorities. The School has not recorded any accruals for uncertain income tax positions at June 30, 2023.

T. Use of Estimates

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

U. Discretely Presented Component Unit

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

Sarasota Military Academy Foundation, Inc. (the "Foundation"), is a not-for-profit corporation formed on January 09, 2017. The governing body of the Foundation is appointed by the board of trustees of the Foundation. The purpose of the Foundation is to receive, accept, and administer, for the benefit of the School, any funds, and tangible or intangible property, donated to the corporation. The School and the Foundation are engaged in a support services agreement whereby the School will provide support funding, based on reasonable value, to be repaid by the Foundation to the School from available donated funds collected by the Foundation. As of June 30, 2023, the Foundation owes the School \$0.

NOTE 3 – ACCOUNTING AND REPORTING CHANGES

The School implemented GASB Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the lease's guidance, unless specifically excluded in the Statement.

NOTE 4 – CASH AND CASH EQUIVALENTS

Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned. The School can mitigate this risk by depositing funds in financial institutions insured by Federal depository insurance. The deposits are insured by the FDIC up to \$250,000 per bank institution. At June 30, 2023, the carrying amount of the School's deposits was \$1,531,380 and bank balances totaled \$1,591,036. The School had uninsured balances of \$1,341,036 at June 30, 2023.

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>July 1,</u> <u>2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30,</u> <u>2023</u>
Capital assets, not being depreciated					
Land	\$ 8,398,300	\$ -	\$ -	\$ -	\$ 8,398,300
Capital assets, being depreciated					
Land improvements	115,977	37,506	-	-	153,483
Buildings and improvements	13,934,612	35,946	-	-	13,970,558
Furniture, fixtures and equipment	3,108,901	695,361	-	-	3,804,262
Motor vehicles	<u>768,199</u>	<u>24,828</u>	<u>-</u>	<u>-</u>	<u>793,027</u>
Total capital assets being depreciated	<u>17,927,689</u>	<u>793,641</u>	<u>-</u>	<u>-</u>	<u>18,721,330</u>
Less accumulated depreciation					
Land improvements	83,826	11,449	-	-	95,275
Buildings and improvements	4,267,571	416,628	-	-	4,684,199
Furniture, fixtures and equipment	2,649,485	199,109	-	-	2,848,594
Motor vehicles	<u>595,008</u>	<u>43,202</u>	<u>-</u>	<u>-</u>	<u>638,210</u>
Total accumulated depreciation	<u>7,595,890</u>	<u>670,388</u>	<u>-</u>	<u>-</u>	<u>8,266,278</u>
Total capital assets being depreciated, net	<u>10,331,799</u>	<u>123,253</u>	<u>-</u>	<u>-</u>	<u>10,455,052</u>
Capital Assets, net	<u>\$ 18,730,099</u>	<u>\$ 123,253</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,853,352</u>

Depreciation expenses were charged to the following functions:

	<u>June 30, 2023</u>
Basic instruction	\$ 284,509
Exceptional instruction	7,705
Other instruction	326
Guidance services	593
Health services	83
Instructional media services	113,463
School administration	17,350
Fiscal services	784
Pupil transportation	36,859
Operation of plant	187,518
Maintenance of plant	<u>21,198</u>
Total	<u>\$ 670,388</u>

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 6 – NONCURRENT LIABILITIES

Activity for noncurrent liabilities for the year ended June 30, 2023 was as follows:

	Balance July 1, 2022	Additions	Reductions	Balance June 30, 2023	Due Within One Year
Governmental activities					
Interest rate swap	\$ 126,627	\$ -	\$ 172,938	\$ (46,311)	\$ -
Compensated absences	18,307	-	-	18,307	18,307
Lease liabilities	-	455,232	97,013	358,219	103,516
Net pension liability – FRS	1,065,852	4,010,736	-	5,076,588	-
Net pension liability – HIS	2,439,695	-	356,876	2,082,819	-
Bonds payable	<u>10,568,006</u>	<u>-</u>	<u>570,254</u>	<u>9,997,752</u>	<u>591,987</u>
Totals	<u>\$ 14,218,487</u>	<u>\$ 4,465,968</u>	<u>\$ 1,197,081</u>	<u>\$ 17,487,374</u>	<u>\$ 713,810</u>

Bonds Payable and Interest Rate Swaps

Educational Facilities Refunding Revenue Bonds, Series 2012

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

Additionally, the School entered into an interest rate swap agreement with Wells Fargo Bank in conjunction with these bonds through July 18, 2027. The interest rate swap agreement had an original notional amount of \$5,565,000 and declines as debt service payments are made. Under the swap agreement, the Charter School pays a fixed rate of 4.63% and receives interest at a variable rate equal to 77% of the USD-LIBOR-BBA, based on the notional amount which at June 30, 2023, was \$3,956,000. Effective June 1, 2023, the variable rate has been adjusted to 77% of the USD-SOFR. Interest payments are due monthly and the variable rate resets weekly based on a weighted average.

The School has certain loan covenants within their agreements with Wells Fargo. As of June 30, 2023, the School was in compliance with the loan covenants.

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

Fiscal Year Ending <u>June 30:</u>	Principal Series 2012	Interest	Total
2024	\$ 192,000	\$ 153,438	\$ 345,438
2025	204,000	139,943	343,943
2026	211,000	128,344	339,344
2027	221,000	117,252	338,252
2028	<u>3,128,000</u>	<u>14,568</u>	<u>3,142,568</u>
Total	<u>\$ 3,956,000</u>	<u>\$ 553,545</u>	<u>\$ 4,509,545</u>
Total bonds payable		3,956,000	
Current portion		<u>(192,000)</u>	
Noncurrent portion		<u>\$ 3,764,000</u>	

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 6 – NONCURRENT LIABILITIES – CONTINUED

Bonds Payable and Interest Rate Swaps – Continued

Educational Facilities Revenue Bonds, Series 2016A and 2016B

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

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

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

The School has certain loan covenants within their agreements with Wells Fargo. As of June 30, 2023, the School was in compliance with the loan covenants.

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

Fiscal Year Ending	Principal Series 2016A & Series 2016B	Interest	Total
<u>June 30:</u>			
2024	\$ 399,987	\$ 160,728	\$ 560,715
2025	411,134	149,581	560,715
2026	422,591	138,124	560,715
2027	434,368	126,347	560,715
2028	446,472	114,243	560,715
Thereafter	<u>3,927,200</u>	<u>435,945</u>	<u>4,363,145</u>
Total	\$ <u>6,041,752</u>	\$ <u>1,124,968</u>	\$ <u>7,166,720</u>
Total bonds payable		6,041,753	
Current portion		<u>(399,987)</u>	
Noncurrent portion		\$ <u>5,641,766</u>	

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 7 – LEASES

Leased Assets

The School enters into leases for copiers and equipment. Certain leases can be short-term or renewable at the option of the School, and are accounted for appropriately per GASB Statement No. 87, Leases. As of June 30, 2023 there were no leases with variable payments not included in the measurement of the lease liability and none of the leases contained residual value guarantees. Leased assets are amortized on a straight-line basis over the life of the lease. Amortization expense for the fiscal year ended June 30, 2023 was \$109,256.

Leased assets	\$	455,232
Accumulated amortization		<u>(109,256)</u>
Leased assets, net		<u>\$ 345,976</u>

Amortization for the remaining lease term as of June 30, 2023 are as follows:

Fiscal Year Ending June 30	Total
2024	\$ 109,256
2025	109,256
2026	109,256
2027	<u>18,208</u>
Total amortization	<u>\$ 345,976</u>

Lease Liabilities

The School routinely leases copiers and equipment in lieu of purchasing assets. As of June 30, 2023 the School's lease liabilities total \$358,219. Annual principal and interest payments due for lease payments as of June 30, 2023 are as follows:

Fiscal Year Ending June 30	Principal	Interest
2024	\$ 103,516	\$ 8,921
2025	112,217	5,843
2026	121,455	2,507
2027	<u>21,031</u>	<u>50</u>
Total lease liabilities	<u>\$ 358,219</u>	<u>\$ 17,321</u>

NOTE 8 – DERIVATIVE INSTRUMENTS

The School is a party to contracts for various derivative instruments, as discussed below. At June 30, 2023, the Charter School has the following derivative instruments outstanding:

Governmental Activities <u>Fair Value Hedge</u>	<u>Amount</u>	<u>Fair Value</u>		<u>Changes in Fair Value</u>	
		<u>Notional Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>
Pay-fixed interest rate swap	\$ 3,956,000	Debt	\$ 46,312	Investment Revenue	\$ 172,938

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

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

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM

Plan Description

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

The plan provisions are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Senate Bill 2100, effective July 1, 2011 made a number of substantial changes to the FRS, including requiring 3% employee contributions on all compensation on or after July 1, 2011. The following are brief descriptions of the Plan in effect as of June 30, 2023.

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

Benefits Provided

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

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

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

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

Contributions

Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the Pension Plan and the Investment Plan. The uniform employer contribution rate for regular class members for the fiscal year 2022-2023 was 10.19%. These rates exclude the 1.66% contribution for the Retiree Health Insurance Subsidy, the fee of 0.06% for administration of the FRS Investment Plan and provision of educational tools for both plans, and unfunded actuarial liability rates. The employee contribution rate was 3% for the fiscal year ended June 30, 2023.

The School's contribution to the plan for the year ended June 30, 2023 was \$826,257.

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

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

At June 30, 2023, the School reported a liability of \$5,076,588 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2021 to June 30, 2022. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School's proportions were 0.008084734% and 0.005559059%, which was a decrease of 0.000268953% and 0.000197275%, respectively, from its proportions measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized a pension expense of \$587,324. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to FRS pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in:		
Contributions, subsequent to measurement date	\$ 108,896	\$ -
Investments	335,206	-
Assumptions/inputs	(1,359,394)	-
Experience expected/actual	241,109	-
Change in Proportion, NPL	206,826	(287,009)
	\$ (467,357)	\$ (287,009)

Deferred outflows of resources related to employer contributions paid subsequent to the June 30, 2022 measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year Ending June 30:	
2024	\$ 290,568
2025	109,645
2026	(98,126)
2027	853,776
2028	45,655
Thereafter	-
Total	\$ 1,201,518

Actuarial Assumptions for Defined Benefit Pension Plan

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013 through June 30, 2018. The total pension liability for the plan was determined using the individual entry age actuarial cost method. Inflation increases is assumed at 2.40%. Payroll growth, including inflation, is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Mortality assumptions were based on the PUB-2010 base table. The following changes in actuarial assumptions occurred in 2022:

- FRS: The long-term expected rate of return was decreased from 6.80% to 6.70%.

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 9 – DEFINED BENEFIT PENSION PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Long-Term Expected Rate of Return

The long-term expected rate of return on FRS Pension Plan investments was determined using a forward-looking capital market economic model, which includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return</u>
Cash	1.0%	2.1%
Fixed income	20.0%	3.8%
Global equity	54.2%	8.2%
Real estate (property)	10.3%	7.1%
Private equity	10.8%	11.7%
Strategic investments	3.7%	5.7%

Sensitivity Analysis

The following presents the net pension liability of the pension plan, calculated using the discount rate of 6.70%, as well as what the pension plan’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate.

	<u>1.00% Decrease 5.70%</u>	<u>Current Discount Rate 6.70%</u>	<u>1.00% Increase 7.70%</u>
Total FRS net pension liability	\$ 64,348,740,193	\$ 37,208,036,193	\$ 14,515,178,193
School’s proportionate share of the net pension liability	\$ 8,779,609	\$ 5,076,587	\$ 1,980,421

NOTE 10 – DEFINED BENEFIT PLAN – HEALTH INSURANCE SUBSIDY PROGRAM

Plan Description

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing multiple-employer defined benefit pension plan established under section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of state-administered retirement systems in paying their health insurance costs and is administered by the Division of Retirement within the Department of Management Services. For the fiscal year ended June 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by \$5. The payments are at least \$30 but not more than \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a state-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

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

For the fiscal year ended June 30, 2022, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. HIS contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS benefits are not guaranteed and are subject to annual Legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 10 – DEFINED BENEFIT PLAN – HEALTH INSURANCE SUBSIDY PROGRAM – CONTINUED

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

At June 30, 2023, the School reported a liability of \$2,082,819 for its proportionate share of the HIS net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by rolling forward the Plan's total pension liability as of June 30, 2021 to June 30, 2022. The School's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2022, the School's proportions were 0.011374776% and 0.008290056%, which was an increase of 0.000203245% and a decrease of 0.000427501% respectively, from its proportions measured as of June 30, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$81,947. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to HIS program from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in:		
Contributions, subsequent to measurement date	\$ 21,853	\$ -
Investments	3,015	-
Assumptions/inputs	(363,461)	(322,211)
Experience expected/actual	63,219	(9,164)
Change in Proportion, NPL	99,737	(286,727)
	\$ (175,637)	\$ (618,102)

Deferred outflows of resources related to employer contributions paid subsequent to the June 30, 2022 measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the reporting year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension expense will be recognized as follows:

Year Ending June 30:	
2024	\$ (34,905)
2025	(18,823)
2026	(8,606)
2027	(19,050)
2028	(44,217)
Thereafter	(20,151)
Total	\$ (145,752)

Actuarial Assumptions for Defined Benefit Health Insurance Premium Benefit Plan

The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for the plan was determined using the individual entry age actuarial cost method. Inflation increases is assumed at 2.40%. Payroll growth, including inflation, is assumed at 3.25%. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% was used to determine the total pension liability for the program. Mortality assumptions were based on the PUB-2010 base table. The following changes in actuarial assumptions occurred in 2022:

- The election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.
- The municipal bond rate used to determine total pension liability was increased from 2.16% to 3.54%.
- The demographic assumptions for the Special Risk class were updated to reflect plan changes

SARASOTA MILITARY ACADEMY, INC.

Notes to the Financial Statements

June 30, 2023

NOTE 10 – DEFINED BENEFIT PLAN – HEALTH INSURANCE SUBSIDY PROGRAM – CONTINUED

Sensitivity Analysis

The following presents the net pension liability of the HIS, calculated using the discount rate of 3.54%, as well as what the HIS's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate.

	1.00% Decrease 2.54%	Current Discount Rate 3.54%	1.00% Increase 4.54%
Total HIS net pension liability	\$ 12,117,656,828	\$ 10,591,597,209	\$ 9,328,814,334
School's proportionate share of the net pension liability	\$ 2,382,917	\$ 2,082,820	\$ 1,834,496

NOTE 11 – RISK MANAGEMENT

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

NOTE 12 – LITIGATION

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

NOTE 13 – FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

NOTE 14 – EVALUATION OF SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 26, 2023, the date the financial statements were available for issuance, and has determined that there are no additional subsequent events that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

SARASOTA MILITARY ACADEMY, INC.
Required Supplementary Information
Budgetary Comparison Schedule - General Fund (Unaudited)
For the Year Ended June 30, 2023

	Primary Government			
	Original Budget	Final Budget	Actual	Over / (Under)
Revenues				
Federal direct	\$ 238,989	\$ 238,989	\$ 232,655	\$ (6,334)
Federal through state	82,415	82,415	76,219	(6,196)
State and local	13,177,284	13,177,284	13,059,027	(118,257)
Other	575,611	575,611	790,458	214,847
Total revenues	<u>14,074,299</u>	<u>14,074,299</u>	<u>14,158,359</u>	<u>84,060</u>
Expenditures				
Education				
Basic instruction	6,534,827	6,534,827	6,490,212	(44,615)
Exceptional instruction	760,769	760,769	780,668	19,899
Other instruction	334,982	334,982	347,643	12,661
Guidance services	-	271,510	270,917	(593)
Health services	-	155,271	155,188	(83)
Instructional media services	887,251	17,251	16,384	(867)
School administration	2,492,171	2,372,171	2,372,375	204
Fiscal services	292,028	292,028	334,799	42,771
Pupil transportation	305,569	397,569	454,621	57,052
Operation of plant	1,336,156	1,586,156	1,405,596	(180,560)
Maintenance of plant	85,821	85,821	89,558	3,737
Capital Outlay	-	821,600	793,641	(27,959)
Debt service	947,903	947,903	948,442	539
Total expenses	<u>13,977,477</u>	<u>14,577,858</u>	<u>14,460,044</u>	<u>(117,814)</u>
Excess (deficit) of revenues over expenditures	<u>96,822</u>	<u>(503,559)</u>	<u>(301,685)</u>	<u>201,874</u>
Net change in fund balance	<u>\$ 96,822</u>	<u>\$ (503,559)</u>	<u>\$ (301,685)</u>	<u>\$ 201,874</u>

Notes to Required Supplementary Information:

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

SARASOTA MILITARY ACADEMY, INC.
Required Supplementary Information
Schedule of Proportionate Share of Net Position Liability and Contributions - FRS (Unaudited)
Last Ten Measurement Periods¹

	2014	2015	2016	2017	2018	2019	2020	2021	2022
PROPORTIONATE SHARE OF NET PENSION LIABILITY									
School's proportion of the net pension liability									
High school	0.010653235%	0.011910924%	0.009910741%	0.009046043%	0.009141010%	0.009119155%	0.008184443%	0.008353687%	0.008084734%
Prep	0.000000000%	0.002170394%	0.004027495%	0.005197701%	0.005679523%	0.005262553%	0.005072926%	0.005756334%	0.005559059%
School's proportion share of the net pension liability	\$ 650,004	\$ 1,538,456	\$ 3,519,416	\$ 4,213,204	\$ 4,464,022	\$ 4,952,860	\$ 5,745,939	\$ 1,065,852	\$ 5,076,588
School's covered employee payroll	\$ 4,709,422	\$ 6,617,457	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054	\$ 7,041,129	\$ 7,166,465	\$ 6,970,588
School's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	13.80%	23.25%	52.18%	59.76%	59.10%	69.63%	81.61%	14.87%	72.83%
Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%	82.61%	82.61%	78.85%	96.40%
CONTRIBUTIONS									
Contractually required contribution	\$ 298,561	\$ 420,496	\$ 380,112	\$ 412,744	\$ 475,121	\$ 519,536	\$ 513,062	\$ 605,972	\$ 679,750
Contribution in relation to the contractually required contribution	<u>(298,561)</u>	<u>(420,496)</u>	<u>(380,112)</u>	<u>(412,744)</u>	<u>(475,121)</u>	<u>(519,536)</u>	<u>(513,062)</u>	<u>(605,972)</u>	<u>(679,750)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,709,422	\$ 6,617,457	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054	\$ 7,041,129	\$ 7,166,465	\$ 6,970,588
Contributions as a percentage of covered employee payroll	6.34%	6.35%	5.64%	5.85%	6.29%	7.30%	7.29%	8.46%	9.75%

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

SARASOTA MILITARY ACADEMY, INC.
Required Supplementary Information
Schedule of Proportionate Share of Net Position Liability and Contributions - HIS (Unaudited)
Last Ten Measurement Periods¹

	2014	2015	2016	2017	2018	2019	2020	2021	2022
PROPORTIONATE SHARE OF NET PENSION LIABILITY									
School's proportion of the net pension liability									
High school	0.015842148%	0.017243333%	0.015894760%	0.014462872%	0.014478161%	0.014014006%	0.011839839%	0.011171531%	0.000113748%
Prep	0.000000000%	0.003038312%	0.005951906%	0.007654283%	0.008648122%	0.008815434%	0.008642707%	0.008717557%	0.008290056%
School's proportion share of the net pension liability	\$ 1,481,279	\$ 1,758,549	\$ 2,546,138	\$ 2,364,868	\$ 2,447,712	\$ 2,554,386	\$ 2,554,386	\$ 2,439,695	\$ 2,082,819
School's covered employee payroll	\$ 4,709,422	\$ 6,617,457	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054	\$ 7,041,129	\$ 7,166,465	\$ 6,790,588
School's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	31.45%	26.57%	37.75%	33.55%	32.41%	35.91%	36.28%	34.04%	30.67%
Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%	2.63%	2.63%	3.00%	3.56%
CONTRIBUTIONS									
Contractually required contribution	\$ 56,513	\$ 65,998	\$ 111,960	\$ 117,026	\$ 125,386	\$ 118,077	\$ 116,883	\$ 118,963	\$ 112,724
Contribution in relation to the contractually required contribution	<u>(56,513)</u>	<u>(65,998)</u>	<u>(111,960)</u>	<u>(117,026)</u>	<u>(125,386)</u>	<u>(118,077)</u>	<u>(116,883)</u>	<u>(118,963)</u>	<u>(112,724)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,709,422	\$ 5,237,972	\$ 6,744,577	\$ 7,049,786	\$ 7,553,397	\$ 7,113,054	\$ 7,041,129	\$ 7,166,465	\$ 6,790,588
Contributions as a percentage of covered employee payroll	1.20%	1.26%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%

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

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

To the Board of Directors
Sarasota Military Academy, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Sarasota Military Academy, Inc. (the "School") (a component unit of the School Board of Sarasota County, Florida) as of and for the year ended June 30, 2023, 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 26, 2023.

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 26, 2023

MANAGEMENT LETTER

To the Board of Directors
Sarasota Military Academy, Inc.

Report on the Financial Statements

We have audited the financial statements of Sarasota Military Academy, Inc., as of and for the fiscal year ended June 30, 2023 and have issued our report thereon dated September 26, 2023.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 26, 2023, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and school code assigned by the Florida Department of Education of the entity are Sarasota Military Academy, Inc., 580074.

Financial Condition and Management

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we report the results of our determination as to whether or not Sarasota Military Academy, Inc. 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 Sarasota Military Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether Sarasota Military Academy, Inc. maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Sarasota Military Academy, Inc. did maintain all of the required information on its website as specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Section 10.854(1)(e)4, Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or 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 School Board of Sarasota County, Florida, the Board of Directors, and applicable management and it is not intended to be and should not be used by anyone other than these specified parties.

Pellegrino & McFarland, P.A.

Sarasota, Florida
September 26, 2023