

South Tech Preparatory Academy, Inc.

Basic Financial Statements
and Additional Information
For the Year Ended June 30, 2021



South Tech Preparatory Academy, Inc.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Tech Preparatory Academy, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of South Tech Preparatory Academy, Inc. (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

CPA's + Trusted Advisors

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 and budgetary comparison schedules – general fund and special revenue fund on pages 26 and 27 and the schedules related to the pension plan on pages 28 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2021, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of South Florida Preparatory Academy's (the "School") financial performance provides an overview of the School's financial activities for the years ended June 30, 2021 with certain comparative information for 2020. Please read it in conjunction with the School's financial statements which immediately follow this discussion.

Financial Highlights

The following are highlights of financial activity for the year ended June 30, 2021:

- The School's assets and deferred outflows exceeded its total liabilities and deferred inflows as of June 30, 2021 by \$ 80,404.
- The School's net position increased by \$ 52,932 during the current fiscal year as a result of this year's operations.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 7 and 8 of this report.

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

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

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

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

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General and Special Revenue Funds to demonstrate compliance with the budgets adopted for each.

The governmental funds financial statements can be found on pages 9 through 12 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 13 through 25 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the School's adopted budget to actual results and schedules relating to the School's Pension Plan. Required supplementary information can be found on pages 26 through 33 of this report.

Government-Wide Financial Analysis

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

| South Florida Preparatory Academy Statements of Net Position | | | |
|---|----|------------|------------|
| | | 2021 | 2020 |
| Current Assets: | \$ | 1,123,848 | \$ 714,262 |
| Noncurrent assets and deferred outflows | | 9,322,068 | 760,481 |
| Total assets and deferred outflows | | 10,445,916 | 1,474,743 |
| Current Liabilities: | | 290,155 | 187,103 |
| Noncurrent liabilities and deferred inflows | | 10,075,357 | 1,260,168 |
| Total liabilities and deferred inflows | | 10,365,512 | 1,447,271 |
| Net Position: | | | |
| Net Investment in capital assets | | (102,489) | 68,157 |
| Unrestricted | | 182,893 | (40,685) |
| Total net position | \$ | 80,404 | \$ 27,472 |

**South Tech Preparatory Academy, Inc.
Management's Discussion and Analysis
June 30, 2021**

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

The following table reflects the School's change in net position for the years ended June 30, 2021 and 2020:

| South Florida Preparatory Academy Statements of Changes in Net Position | | | |
|--|----|----------------------|-------------------------|
| | | <u>2021</u> | <u>2020</u> |
| Revenues: | | | |
| General revenues | \$ | 4,226,936 | \$ 4,166,416 |
| Program revenues | | <u>450,705</u> | <u>295,071</u> |
| Total revenues | | <u>4,677,641</u> | <u>4,461,487</u> |
| Expenses: | | | |
| Instruction | | 2,449,777 | 2,612,385 |
| Administration | | 686,274 | 658,223 |
| Operation and maintenance of plant | | 814,687 | 875,569 |
| Student transportation services | | 176,541 | 243,373 |
| Fiscal services | | 91,118 | 91,317 |
| Central services | | 71,569 | 57,559 |
| Board expenditures | | 44,423 | 28,735 |
| Interest expense | | <u>290,320</u> | <u>-</u> |
| Total expenses | | <u>4,624,709</u> | <u>4,567,161</u> |
| Change in net position | | 52,932 | (105,674) |
| Net Position, July 1 | | <u>27,472</u> | <u>133,146</u> |
| Net Position, June 30 | \$ | <u><u>80,404</u></u> | \$ <u><u>27,472</u></u> |

Financial Analysis of the School's Funds

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

The General Fund is the chief operating fund of the School. At the end of year 2021, unassigned fund balance of the General Fund was \$ 763,695, an increase of \$ 508,025 for the year. The overall General Fund balance increased by \$ 441,180.

General Fund Budgetary Highlights

Total revenues were unfavorable to the budget by approximately \$ 135,000.

Total expenditures were unfavorable to the budget by approximately \$ 8,171,000. This was mostly related to the unbudgeted capital outlay expenditures associated with the recording of the capital lease for the facility, as well as unbudgeted interest expense.

See page 26 for budget and actual comparisons.

Capital Assets and Debt Administration

Capital assets: The School's investment in capital assets as of June 30, 2021 was \$ 8,572,500 net of accumulated depreciation as compared to \$ 68,157 as of June 30, 2020. This investment in capital assets is composed of a leased building, as well as audio visual and computer software and furniture.

Debt: At June 30, 2021 the School had debt amounting \$ 8,674,989 for the capital lease relating to the School's facility. At June 30, 2020, the School had no outstanding debt.

Economic Factors

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the School in the year 2022 is meeting the financial challenges if distance learning is imposed again during the year and the impact on expenses if State allocations are not received as expected.

Requests for Information

This financial report is designed to provide a general overview of South Tech Preparatory Academy, Inc. for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the South Tech Preparatory Academy, Inc.; 1325 Gateway Boulevard, Boynton Beach, FL 33426.

BASIC FINANCIAL STATEMENTS

South Tech Preparatory Academy, Inc.
Statement of Net Position
June 30, 2021

| | Governmental Activities |
|---|------------------------------------|
| Current Assets: | |
| Cash | \$ 943,900 |
| Due from government agencies | 21,598 |
| Due from related party | 74,439 |
| Prepays | 83,911 |
| Total current assets | <u>1,123,848</u> |
| Noncurrent Assets: | |
| Deposits | 87,400 |
| Capital assets, net of accumulated depreciation | 8,572,500 |
| Total noncurrent assets | <u>8,659,900</u> |
| Total assets | <u>9,783,748</u> |
| Deferred Outflows of Resources: | |
| Deferred pension outflows | 662,168 |
| Total assets and deferred outflows | <u>10,445,916</u> |
| Current Liabilities: | |
| Accounts payable | 27,068 |
| Accrued liabilities | 128,441 |
| Capital lease payable - due within one year | 134,646 |
| Total current liabilities | <u>290,155</u> |
| Noncurrent Liabilities: | |
| Compensated absences payable | 53,667 |
| Capital lease payable - due in more than one year | 8,540,343 |
| Net pension liability | 1,346,630 |
| Total noncurrent liabilities | <u>9,940,640</u> |
| Total liabilities | <u>10,230,795</u> |
| Deferred Inflows of Resources: | |
| Deferred pension inflows | 134,717 |
| Total liabilities and deferred inflows | <u>10,365,512</u> |
| Net Position: | |
| Net investment in capital assets | (102,489) |
| Unrestricted | 182,893 |
| Total net position | <u>\$ 80,404</u> |

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

South Tech Preparatory Academy, Inc.
Statement of Activities
For the Year Ended June 30, 2021

| | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Governmental Activities</u> |
|------------------------------------|-----------------------------|---|---|---|
| | | <u>Capital Grants and Contributions</u> | <u>Operating Grants and Contributions</u> | <u>Net Revenue (Expense) and Change in Net Position</u> |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Instruction | \$ 2,086,679 | \$ - | \$ 322,932 | \$ (1,763,747) |
| Pupil personnel services | 298,094 | - | 73,041 | (225,053) |
| Instructional staff training | 53,298 | - | 31,054 | (22,244) |
| Instructional-related technology | 11,706 | - | - | (11,706) |
| Board expenditures | 44,423 | - | - | (44,423) |
| General administration | 146,989 | - | - | (146,989) |
| School administration | 466,483 | - | - | (466,483) |
| Fiscal services | 91,118 | - | - | (91,118) |
| Central services | 71,569 | - | - | (71,569) |
| Student transportation services | 176,541 | - | - | (176,541) |
| Operation and maintenance of plant | 814,687 | - | 23,678 | (791,009) |
| Administrative technology services | 72,802 | - | - | (72,802) |
| Interest expense | 290,320 | - | - | (290,320) |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| Total governmental activities | \$ <u>4,624,709</u> | \$ <u>-</u> | \$ <u>450,705</u> | <u>(4,174,004)</u> |
| General revenues: | | | | |
| FTE nonspecific revenues | | | | 4,141,247 |
| Contributions and other revenue | | | | <u>85,689</u> |
| Total general revenues | | | | <u>4,226,936</u> |
| Change in net position | | | | 52,932 |
| Net position, July 1, 2020 | | | | <u>27,472</u> |
| Net position, June 30, 2021 | | | | \$ <u><u>80,404</u></u> |

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

South Tech Preparatory Academy, Inc.
 Balance Sheet - Governmental Funds
 June 30, 2021

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total</u> |
|--|-------------------------|-------------------------------------|---------------------|
| Assets: | | | |
| Cash | \$ 943,900 | \$ - | \$ 943,900 |
| Due from government agencies | 21,598 | - | 21,598 |
| Due from related party | 74,439 | - | 74,439 |
| Prepays | 83,911 | - | 83,911 |
| Deposits | 87,400 | - | 87,400 |
| | <u>1,211,248</u> | <u>-</u> | <u>1,211,248</u> |
| Total assets | \$ <u>1,211,248</u> | \$ <u>-</u> | \$ <u>1,211,248</u> |
| Liabilities: | | | |
| Accounts payable | \$ 27,068 | \$ - | \$ 27,068 |
| Accrued liabilities | 128,441 | - | 128,441 |
| | <u>155,509</u> | <u>-</u> | <u>155,509</u> |
| Total liabilities | <u>155,509</u> | <u>-</u> | <u>155,509</u> |
| Fund Balances: | | | |
| Nonspendable for prepaids and deposits | 171,311 | - | 171,311 |
| Assigned to school-based student activity organizations | 122,934 | - | 122,934 |
| Unassigned | 761,494 | - | 761,494 |
| | <u>1,055,739</u> | <u>-</u> | <u>1,055,739</u> |
| Total fund balances | <u>1,055,739</u> | <u>-</u> | <u>1,055,739</u> |
| Total liabilities and fund balances | \$ <u>1,211,248</u> | \$ <u>-</u> | \$ <u>1,211,248</u> |

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

South Tech Preparatory Academy, Inc.
Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position
June 30, 2021

Total Fund Balances - Governmental Funds \$ 1,055,739

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

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

| | | |
|--------------------------|------------------|-----------|
| Cost of capital assets | \$ 9,018,163 | |
| Accumulated depreciation | <u>(445,663)</u> | 8,572,500 |

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

| | |
|--|-----------|
| Deferred outflows, relating to the net pension liability | 662,168 |
| Deferred inflows, relating to the net pension liability | (134,717) |

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

| | |
|-----------------------|-------------|
| Capital lease payable | (8,674,989) |
| Net pension liability | (1,346,630) |

Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

(53,667)

Net Position of Governmental Activities **\$ 80,404**

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

**South Tech Preparatory Academy, Inc.
Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
For the Year Ended June 30, 2021**

| | <u>General Fund</u> | <u>Special Revenue Fund</u> | <u>Total</u> |
|--|-------------------------|-------------------------------------|---------------------|
| Revenues: | | | |
| Federal sources | \$ - | \$ 450,705 | \$ 450,705 |
| State sources | 4,141,247 | - | 4,141,247 |
| Local sources | 85,689 | - | 85,689 |
| | <u>4,226,936</u> | <u>450,705</u> | <u>4,677,641</u> |
| Total revenues | | | |
| Expenditures: | | | |
| Current: | | | |
| Instruction | 1,607,405 | 322,932 | 1,930,337 |
| Pupil personnel services | 200,421 | 73,041 | 273,462 |
| Instructional staff training | 20,487 | 31,054 | 51,541 |
| Instructional-related technology | 11,706 | - | 11,706 |
| Board expenditures | 43,120 | - | 43,120 |
| General administration | 142,654 | - | 142,654 |
| School administration | 427,179 | - | 427,179 |
| Fiscal services | 84,541 | - | 84,541 |
| Central services | 69,028 | - | 69,028 |
| Student transportation services | 176,541 | - | 176,541 |
| Operation and maintenance of plant | 579,517 | 23,678 | 603,195 |
| Administrative technology services | 67,336 | - | 67,336 |
| Capital outlay | 8,740,490 | - | 8,740,490 |
| Debt service: | | | |
| Principal | 61,212 | - | 61,212 |
| Interest | 290,320 | - | 290,320 |
| | <u>12,521,957</u> | <u>450,705</u> | <u>12,972,662</u> |
| Total expenditures | | | |
| Excess (deficiency) of revenues over expenditures | <u>(8,295,021)</u> | <u>-</u> | <u>(8,295,021)</u> |
| Other Financing Sources (Uses): | | | |
| Issuance of debt | <u>8,736,201</u> | <u>-</u> | <u>8,736,201</u> |
| Net change in fund balances | 441,180 | - | 441,180 |
| Fund Balances, July 1, 2020 | <u>614,559</u> | <u>-</u> | <u>614,559</u> |
| Fund Balances, June 30, 2021 | <u>\$ 1,055,739</u> | <u>\$ -</u> | <u>\$ 1,055,739</u> |

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

**South Tech Preparatory Academy, Inc.
 Reconciliation of the Statement of Revenues,
 Expenditures and Changes in Fund Balances - Governmental
 Funds to the Statement of Activities
 For the Year Ended June 30, 2021**

Net Change in Fund Balances - Governmental Funds \$ 441,180

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

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

| | | |
|-------------------------------------|------------------|-----------|
| Expenditures for capital assets | \$ 8,740,490 | |
| Less: net book value of retirements | (1,141) | |
| Less: current year depreciation | <u>(235,006)</u> | 8,504,343 |

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

| | | |
|-----------------------------|--|------------------|
| Change in deferred outflows | | 57,244 |
| Change in deferred inflows | | <u>(100,298)</u> |

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

| | | |
|----------------------------|--|-------------|
| Issuance of debt | | (8,736,201) |
| Principal payments on debt | | 61,212 |

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

| | | |
|-------------------------------------|------------------|------------------|
| Change in compensated absences | (6,874) | |
| Change in the net pension liability | <u>(167,674)</u> | <u>(174,548)</u> |

Change in Net Position of Governmental Activities \$ 52,932

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

Note 1 - Organization and Operations

South Florida Preparatory Academy, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 228.056, Florida Statutes. The School commenced operations in July 2013 and offers classes for grades six through eight in the City of Boynton Beach, Florida. Five hundred and thirty two (532) students were enrolled in classes when the school year ended June 30, 2021.

Note 2 - Summary of Significant Accounting Policies

Reporting entity: The School operates under a charter granted by the sponsoring School Board, the School Board of Palm Beach County, Florida. The current charter is effective through June 30, 2029. At the end of the term of the charter, the Board may choose not to renew the charter under grounds specified in the charter, in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown.

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

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's financial statements.

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

The School reports the following major funds:

- **General Fund** – This fund is employed in accounting for all the operating activities of the School except those required to be accounted for in another fund.
- **Special Revenue Fund** – This fund is used to account for federal grants that are legally restricted to expenditures for particular purposes.

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

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

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

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

- Nonspendable – amounts that are not in spendable form (such as prepaid items and deposits) or are legally or contractually required to be maintained intact.
- Restricted – amounts constrained to specific purposes by external providers (such as grantors) or imposed by law through constitutional provisions, or by enabling legislation.
- Committed – amounts constrained to specific purposes by formal action of the School itself, using its highest level of decision-making authority (i.e., the School Board) through Resolution. To be reported as committed, amounts cannot be used for any other purpose unless the School's Board takes the same highest-level action (i.e., Resolution) to remove or change the constraint.

Note 2 - Summary of Significant Accounting Policies (continued)

- Assigned – amounts the School intends to use for a specific purpose but are neither restricted nor committed. Assignments can be made by the School's body or any delegated authority at their direction.
- Unassigned – amounts that have not been assigned to other funds and that have not been restricted, committed or assigned to specific purposes within the General Fund.

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

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

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

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

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

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

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

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

Note 2 - Summary of Significant Accounting Policies (continued)

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

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

| | |
|------------------------------------|-----------|
| Leased buildings | 28 years |
| Audio visual and computer software | 3 years |
| Furniture | 5-7 years |

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

Deferred outflows/inflows of resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. At June 30, 2021, the School had deferred outflows of \$ 662,168, which is related to the net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. At June 30, 2021, the School had deferred inflows of \$ 134,717, which is related to the net pension liability.

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

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

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

Income taxes: The School is an organization exempt from income taxation under Section 501(a) as an entity described in Section 501(c)3 of the Internal Revenue Code of 1986, as amended. Accordingly, no provision for federal income taxes is included in the accompanying financial statements.

Note 2 - Summary of Significant Accounting Policies (continued)

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

Date of management's review: Subsequent events have been evaluated by management through September 20, 2021, which is the date the financial statements were available to be issued.

Note 3 - Budgets

The School formally adopted budgets for the General and Special Revenue Funds by function for the year ended June 30, 2021. The budgets have been prepared in accordance with accounting principles generally accepted in the United States of America. A comparison of the actual results of operations to the final budgeted amounts for the General Fund and Special Revenue Fund are presented as required supplementary information.

Note 4 - Deposits

At June 30, 2021 the total carrying amount of the School's cash balances was \$ 943,900. The bank balance at local depositories was \$ 956,994.

State statute require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimal collateral to be pledged by an institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool, as the School has identified itself as a public entity at June 30, 2021.

Note 5 - Capital Assets

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

| | Balance at July 1, 2020 | Additions | Deletions | Balance at June 30, 2021 |
|---|-------------------------------|------------------|---------------|--------------------------------|
| Capital assets, being depreciated or amortized: | | | | |
| Leased building | \$ - | \$ 8,736,201 | \$ - | \$ 8,736,201 |
| Audio visual and computer software | 263,698 | - | 21,940 | 241,758 |
| Furniture | 37,731 | 4,289 | 1,816 | 40,204 |
| | <u>301,429</u> | <u>8,740,490</u> | <u>23,756</u> | <u>9,018,163</u> |
| Total capital assets, being depreciated or amortized | <u>301,429</u> | <u>8,740,490</u> | <u>23,756</u> | <u>9,018,163</u> |

South Tech Preparatory Academy, Inc.
Notes to Basic Financial Statements
June 30, 2021

Note 5 - Capital Assets (continued)

| | Balance at July 1, 2020 | Additions | Deletions | Balance at June 30, 2021 |
|--|-------------------------------|-------------------------|---------------------|--------------------------------|
| Accumulated depreciation: | | | | |
| Audio visual and computer software | 214,185 | 24,098 | 20,799 | 217,484 |
| Furniture | 19,087 | 2,903 | 1,816 | 20,174 |
| Accumulated amortization: | | | | |
| Leased building | - | 208,005 | - | 208,005 |
| Total accumulated depreciation and amortization | <u>233,272</u> | <u>235,006</u> | <u>22,615</u> | <u>445,663</u> |
| Net capital assets | <u>\$ 68,157</u> | <u>\$ 8,505,484</u> | <u>\$ 1,141</u> | <u>\$ 8,572,500</u> |

The provision for depreciation and amortization for the year ended June 30, 2021 amounted to \$ 235,006, of which \$ 208,005 was allocated to plant operations, \$ 24,301 was allocated to instruction and \$ 2,700 was allocated to school administration. As part of the School's charter contract, all capital assets purchased with public funds will automatically revert to the district school board upon the non-renewal or termination of the contract.

Note 6 - Debt

Debt activity as of June 30, 2021 consists of the following:

| | Balance at July 1, 2020 | Additions | Deletions | Balance at June 30, 2021 | Due In One Year |
|-----------------------|-------------------------------|---------------------|------------------|--------------------------------|-----------------------|
| Capital lease payable | \$ - | \$ 8,736,201 | \$ 61,212 | \$ 8,674,989 | \$ 134,646 |
| | <u>\$ -</u> | <u>\$ 8,736,201</u> | <u>\$ 61,212</u> | <u>\$ 8,674,989</u> | <u>\$ 134,646</u> |

Capital Lease: During the year, the School entered into a capital lease with South Tech School Holdings, LLC (Note 8) for the rental of the facility through June 2055. The School's monthly payment averages \$ 45,000 and includes imputed interest at 5.00% based primarily on the long-term bond rate STA incurred to purchase the facility. At June 30, 2021, the outstanding balance of this capital lease amounted to \$ 8,674,989.

The future approximate payments required under this lease as of June 30, 2021, are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|-------------------------|-------------------------|-------------------------|--------------------------|
| 2022 | \$ 134,646 | \$ 430,692 | \$ 565,338 |
| 2023 | 120,065 | 424,290 | 544,355 |
| 2024 | 116,784 | 418,362 | 535,146 |
| 2025 | 120,713 | 412,433 | 533,146 |
| 2026 | 119,214 | 406,432 | 525,646 |
| 2027-2031 | 702,995 | 1,932,985 | 2,635,980 |
| 2032-2036 | 897,225 | 1,734,758 | 2,631,983 |
| 2037-2041 | 1,158,250 | 1,479,480 | 2,637,730 |
| 2042-2046 | 1,489,368 | 1,151,112 | 2,640,480 |
| 2047-2051 | 1,908,541 | 728,939 | 2,637,480 |
| 2052-2055 | 1,907,188 | 201,143 | 2,108,331 |
| Total | <u>\$ 8,674,989</u> | <u>\$ 9,320,626</u> | <u>\$ 17,995,615</u> |

Note 7 - Contingencies and Commitments

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

Note 8 - Related Party Transactions

The School is related to South Tech Charter Academy, Inc. ("STA") through common board members. The School received grant funding during the year of \$ 450,705 from the State of Florida Department of Education that was passed through from STA for its use. At June 30, 2021, the School has money due from STA in the amount of \$ 74,439, representing reimbursements of certain shared expenditures. In addition, during fiscal 2021 the School and STA entered into a capital lease agreement, as discussed in Note 6 above for the rental of the facility in with School resides. STA had purchased the facility during the year and executed a lease with South Tech School Holdings, LLC ("Holdings"). Holdings was created as a Florida not for profit 501(c)(3) corporation to further the charitable and educational purposes of its sole member, which is STA.

Note 9 - Lease

The School previously entered into a facility lease for its operations. During the year, STA purchased the facility simultaneously cancelling the existing lease with the School and executed a new lease through its wholly owned subsidiary, Holdings. Total rent expense under the terminated lease for the year ended June 30, 2021 was approximately \$ 225,900.

Note 10 - Florida Retirement System

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

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

Note 10 - Florida Retirement System (continued)

Pension Plan:

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

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

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

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

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

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

Note 10 - Florida Retirement System (continued)

Contributions - Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2020 through June 30, 2021, were as follows: Regular - 10.00%; Special Risk Administrative Support - 35.84%; Special Risk - 24.45%; Senior Management Service - 27.29%; Elected Officers' - 49.18%; and DROP participants - 16.98%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods from July 1, 2020 through June 30, 2021.

HIS Plan:

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

Benefits Provided - For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment of \$ 5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$ 30 and a maximum HIS payment of \$ 150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employer's asset by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2019, the HIS contribution for the period from July 1, 2020 through June 30, 2021 was 1.66%. The School contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2021, the School reported liabilities of \$ 914,604 for its proportionate share of the FRS Plan's net pension liability and \$ 432,026 for the HIS Plan's net pension liability for a total net pension liability of \$ 1,346,630. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The School's proportion of the net pension liability was based on a projection of the School's 2020-21 fiscal year contributions relative to the 2019-20 fiscal year contributions of all participating members. At June 30, 2020, the School's proportion was 0.00208618% for the FRS plan and 0.00349852% for the HIS plan, which were decreases of 0.00011044% and 0.00027826%, respectively from its proportion measured as of June 30, 2019.

For the year ended June 30, 2021, the School recognized pension expense of \$ 173,435 for the FRS Plan and \$ 37,293 for the HIS Plan for a total pension expense of \$ 210,728.

Note 10 - Florida Retirement System (continued)

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | | |
|---|--------------------------------|-------------------|-------------------|
| | FRS Plan | HIS Plan | Total |
| Differences between expected and actual experience | \$ 26,668 | \$ 21,543 | \$ 48,211 |
| Changes of assumptions | 96,182 | 57,415 | 153,597 |
| Net difference between projected and actual earnings on pension plan investments | 291,901 | 329 | 292,230 |
| Changes in proportion and differences between School contributions and proportionate share of contributions | 18,952 | 43,794 | 62,746 |
| School contributions subsequent to the measurement date | <u>101,985</u> | <u>3,399</u> | <u>105,384</u> |
| Total | <u>\$ 535,688</u> | <u>\$ 126,480</u> | <u>\$ 662,168</u> |

| | Deferred Inflows of Resources | | |
|---|-------------------------------|------------------|-------------------|
| | FRS Plan | HIS Plan | Total |
| Differences between expected and actual experience | \$ - | \$ 470 | \$ 470 |
| Changes of assumptions | - | 6,154 | 6,154 |
| Net difference between projected and actual earnings on pension plan investments | - | - | - |
| Changes in proportion and differences between School contributions and proportionate share of contributions | <u>66,624</u> | <u>61,469</u> | <u>128,093</u> |
| Total | <u>\$ 66,624</u> | <u>\$ 68,093</u> | <u>\$ 134,717</u> |

Deferred outflows of resources related to the Pension Plan, totaling \$ 105,384 related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year end will be recognized as a reduction of the net pension liability in the subsequent reporting period ending June 30, 2022.

Note 10 - Florida Retirement System (continued)

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

| Year Ended June 30, | FRS Plan | HIS Plan | Total |
|------------------------|-------------|-------------|------------|
| 2021 | \$ 81,002 | \$ 18,799 | \$ 99,801 |
| 2022 | \$ 123,870 | \$ 16,770 | \$ 140,640 |
| 2023 | \$ 101,678 | \$ 8,032 | \$ 109,710 |
| 2024 | \$ 55,470 | \$ 6,583 | \$ 62,053 |
| 2025 | \$ 5,059 | \$ 5,889 | \$ 10,948 |
| Thereafter | \$ - | \$ (1,085) | \$ (1,085) |

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

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | FRS Plan | HIS Plan |
|---------------------------|--|--|
| Inflation | 2.40% | 2.40% |
| Salary increases | 3.25%, average, including inflation | 3.25%, average, including inflation |
| Investment rate of return | 6.80%, net of pension plan investment expense, including inflation | N/A |
| Actuarial cost method | Individual entry age | Individual entry age |
| Mortality table | PUB-2010 with Projection Scale MP-2018 | Generational RP-2000 with Projection Scale BB tables |

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

Note 10 - Florida Retirement System (continued)

| Asset Class | Target Allocation (1) | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|--------------------------|-----------------------|--------------------------|------------------------------------|--------------------|
| Cash | 1.0% | 2.2% | 2.2% | 1.2% |
| Fixed income | 19.0% | 3.0% | 2.9% | 3.5% |
| Global equity | 54.2% | 8.0% | 6.7% | 17.1% |
| Real estate | 10.3% | 6.4% | 5.8% | 11.7% |
| Private equity | 11.1% | 10.8% | 8.1% | 25.7% |
| Strategic investments | 4.4% | 5.5% | 5.3% | 6.9% |
| Total | 100.0% | | | |
| Assumed Inflation - Mean | | | 2.4% | 1.7% |

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

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

The discount rate used to measure the total pension liability was 2.21% for the HIS Plan. In general, the discount rate for calculating the HIS Plan's total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS Plan benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the municipal bond rate of 2.21% was used to determine the total pension liability. The Bond Buyer General Obligation Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the School's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following table represents sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The sensitivity analysis, below, shows the impact of the School's proportionate share of the net pension liability if the discount rate was 1.00% lower or 1.00% higher than the current discount rate at June 30, 2020.

| | 1% Decrease 5.80% | Current Discount Rate 6.80% | 1% Increase 7.80% |
|--|----------------------|--------------------------------|----------------------|
| School's proportionate share of the net pension liability for FRS Plan | \$ 1,460,468 | \$ 914,604 | \$ 458,695 |
| | | | |
| | 1% Decrease 1.21% | Current Discount Rate 2.21% | 1% Increase 3.21% |
| School's proportionate share of the net pension liability for HIS Plan | \$ 499,475 | \$ 432,026 | \$ 376,933 |

Note 11 - Risk Financing

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

Note 12 - Risks and Uncertainties

In March 2020, the *World Health Organization* declared the outbreak of a coronavirus (COVID-19) a pandemic. As a result, the local and global financial markets are experiencing significant declines and creating economic uncertainties. At this time, it is unknown precisely how this negative outlook will impact the School's financial statements in the future. No adjustments have been made to the accompanying financial statements as a result of the current events.

REQUIRED SUPPLEMENTARY INFORMATION

South Tech Preparatory Academy, Inc.
Statement of Revenues, Expenditures and
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2021

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Favorable (Unfavorable) Variance</u> |
|--|------------------|------------------|--------------------|---|
| Revenues: | | | | |
| State sources | \$ 4,026,426 | \$ 4,026,426 | \$ 4,141,247 | \$ 114,821 |
| Local sources | 335,529 | 335,529 | 85,689 | (249,840) |
| Total revenues | <u>4,361,955</u> | <u>4,361,955</u> | <u>4,226,936</u> | <u>(135,019)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 1,895,488 | 1,895,488 | 1,607,405 | 288,083 |
| Pupil personnel services | 226,815 | 226,815 | 200,421 | 26,394 |
| Instructional staff training | 20,848 | 20,848 | 20,487 | 361 |
| Instructional-related technology | 16,245 | 16,245 | 11,706 | 4,539 |
| Board expenditures | 33,082 | 33,082 | 43,120 | (10,038) |
| General administration | 145,163 | 145,163 | 142,654 | 2,509 |
| School administration | 422,951 | 422,951 | 427,179 | (4,228) |
| Fiscal services | 92,483 | 92,483 | 84,541 | 7,942 |
| Central services | 61,357 | 61,357 | 69,028 | (7,671) |
| Student transportation services | 315,000 | 315,000 | 176,541 | 138,459 |
| Operation and maintenance of plant | 1,055,695 | 1,055,695 | 579,517 | 476,178 |
| Administrative technology services | 65,317 | 65,317 | 67,336 | (2,019) |
| Capital outlay | - | - | 8,740,490 | (8,740,490) |
| Debt service: | | | | |
| Principal | - | - | 61,212 | (61,212) |
| Interest | - | - | 290,320 | (290,320) |
| Total expenditures | <u>4,350,444</u> | <u>4,350,444</u> | <u>12,521,957</u> | <u>(8,171,513)</u> |
| Excess (deficiency) of revenues over expenditures | <u>11,511</u> | <u>11,511</u> | <u>(8,295,021)</u> | <u>(8,306,532)</u> |
| Other Financing Sources (Uses): | | | | |
| Issuance of debt | <u>-</u> | <u>-</u> | <u>8,736,201</u> | <u>8,736,201</u> |
| Net change in fund balance | <u>\$ 11,511</u> | <u>\$ 11,511</u> | <u>\$ 441,180</u> | <u>\$ 429,669</u> |

**South Tech Preparatory Academy, Inc.
Statement of Revenues, Expenditures and
Budgetary Comparison Schedule - Special Revenue Fund
For the Year Ended June 30, 2021**

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | <u>Favorable (Unfavorable) Variance</u> |
|---|-----------------|----------------|----------------|---|
| Revenues: | | | | |
| Title I funds | \$ 152,316 | \$ 152,316 | \$ 168,843 | \$ 16,527 |
| Elementary and secondary emergency relief fund (ESSER) | - | - | 95,361 | 95,361 |
| IDEA grant revenues | 77,376 | 77,376 | 94,327 | 16,951 |
| Title II funds | 23,347 | 23,347 | 31,054 | 7,707 |
| Title IV funds | 12,313 | 12,313 | 22,609 | 10,296 |
| GEERS - Summer | - | - | 19,886 | 19,886 |
| Title III funds | 3,492 | 3,492 | 14,756 | 11,264 |
| GEERS - CTE | - | - | 3,869 | 3,869 |
| | <u>268,844</u> | <u>268,844</u> | <u>450,705</u> | <u>181,861</u> |
| Total revenues | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 192,627 | 192,627 | 322,932 | (130,305) |
| Pupil personnel services | 43,569 | 43,569 | 73,041 | (29,472) |
| Instructional staff training | 18,524 | 18,524 | 31,054 | (12,530) |
| Operation and maintenance of plant | 14,124 | 14,124 | 23,678 | (9,554) |
| | <u>268,844</u> | <u>268,844</u> | <u>450,705</u> | <u>(181,861)</u> |
| Total expenditures | | | | |
| Net change in fund balance | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> | \$ <u>-</u> |

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| South Tech Preparatory Academy, Inc.'s proportion of the net pension liability | 0.00088776% | 0.00172829% | 0.00143620% | 0.00165945% | 0.00175787% | 0.00219662% | 0.00208618% |
| South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability | \$ 54,165 | \$ 166,289 | \$ 362,654 | \$ 490,855 | \$ 527,674 | \$ 767,791 | \$ 914,604 |
| South Tech Preparatory Academy, Inc.'s covered-employee payroll | \$ 507,016 | \$ 1,249,889 | \$ 1,732,814 | \$ 1,720,201 | \$ 1,900,090 | \$ 1,164,550 | \$ 1,240,192 |
| South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll | 10.68% | 13.30% | 20.93% | 28.53% | 27.77% | 65.93% | 73.75% |
| Plan fiduciary net position as a percentage of total pension liability | 96.09% | 92.00% | 84.88% | 83.89% | 84.26% | 82.61% | 78.85% |

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

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| South Tech Preparatory Academy, Inc.'s proportion of the net pension liability | 0.00148866% | 0.00289250% | 0.00267747% | 0.00292762% | 0.00300767% | 0.00377679% | 0.00349852% |
| South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability | \$ 139,193 | \$ 148,628 | \$ 312,059 | \$ 312,875 | \$ 320,308 | \$ 411,165 | \$ 432,026 |
| South Tech Preparatory Academy, Inc.'s covered-employee payroll | \$ 507,016 | \$ 1,249,889 | \$ 1,732,814 | \$ 1,720,201 | \$ 1,900,090 | \$ 1,164,550 | \$ 1,240,192 |
| South Tech Preparatory Academy, Inc.'s proportionate share of the net pension liability as a percentage of its covered-employee payroll | 27.45% | 11.89% | 18.01% | 18.19% | 16.86% | 35.31% | 34.84% |
| Plan fiduciary net position as a percentage of total pension liability | 0.99% | 0.50% | 0.97% | 1.64% | 2.15% | 2.63% | 3.00% |

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

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 19,446 | \$ 42,137 | \$ 35,097 | \$ 43,199 | \$ 50,098 | \$ 68,111 | \$ 69,314 |
| Contributions in related to the contractually required contribution | <u>(19,446)</u> | <u>(42,137)</u> | <u>(35,097)</u> | <u>(43,199)</u> | <u>(50,098)</u> | <u>(68,111)</u> | <u>(69,314)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| South Tech Preparatory Academy, Inc.'s covered-employee payroll | \$ 507,016 | \$ 1,249,889 | \$ 1,732,814 | \$ 1,720,201 | \$ 1,900,090 | \$ 1,164,550 | \$ 1,240,192 |
| Contributions as a percentage of covered payroll | 3.84% | 3.37% | 2.03% | 2.51% | 2.64% | 5.85% | 5.59% |

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

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 5,100 | \$ 11,057 | \$ 13,724 | \$ 15,494 | \$ 16,503 | \$ 20,972 | \$ 20,160 |
| Contributions in related to the contractually required contribution | <u>(5,100)</u> | <u>(11,057)</u> | <u>(13,724)</u> | <u>(15,494)</u> | <u>(16,503)</u> | <u>(20,972)</u> | <u>(20,160)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| South Tech Preparatory Academy, Inc.'s covered-employee payroll | \$ 507,016 | \$ 1,249,889 | \$ 1,732,814 | \$ 1,720,201 | \$ 1,900,090 | \$ 1,164,550 | \$ 1,240,192 |
| Contributions as a percentage of covered payroll | 1.01% | 0.88% | 0.79% | 0.90% | 0.87% | 1.80% | 1.63% |

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

South Tech Preparatory Academy, Inc.
Schedule of Investment Returns
Florida Retirement System Pension Plan
Last 10 Fiscal Years *
(Unaudited)

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted annual rate of return, net of investment expenses | 17.57% | 3.77% | 0.57% | 13.59% | 9.28% | 5.98% | 3.35% |

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

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

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted annual rate of return, net of investment expenses | 17.57% | 3.77% | 0.57% | 13.59% | 9.28% | 5.98% | 3.35% |

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

OTHER AUDITOR'S REPORTS



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

To the Board of Directors
South Tech Preparatory Academy, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of South Florida Preparatory Academy (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 20, 2021

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing 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 over financial reporting.

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

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

Compliance and Other Matters

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

South Tech Preparatory Academy, Inc.

Purpose of this Report

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 20, 2021

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors
South Tech Preparatory Academy, Inc.

Report on the Financial Statements

We have audited the financial statements of South Tech Preparatory Academy (the "School") as of and for the year ended June 30, 2021, and have issued our report thereon dated September 20, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 20, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are South Tech Preparatory Academy, Inc. and 503441.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

South Tech Preparatory Academy, Inc.

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

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

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

KEEFE McCULLOUGH

Fort Lauderdale, Florida
September 20, 2021