



**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF  
POLK COUNTY, FLORIDA**

**FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITOR'S REPORTS THEREON**

**JUNE 30, 2022**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of The Schools of McKeel Academy, Inc. (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

- The School's total net position increased as compared to the prior year.
- During 2022, the School's revenues exceeded expenses by \$3,049,993, which is an increase from the prior year when revenues exceeded expenses by \$954,738.
- Overall, revenues increased by approximately \$1,934,000, which was a 6% increase from the prior year.
- Overall, expenses decreased by approximately \$161,000, which was a 1% decrease from the prior year.
- Total assets and deferred outflows of resources were \$39,834,851 and total liabilities and deferred inflows of resources were \$32,329,228, resulting in net position of \$7,505,623 as of June 30, 2022.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the School's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.
  - The *governmental funds* financial statements tell how general school services were financed in the short term, as well as what remains for future spending.
  - The *fiduciary fund* financial statements provide information about the financial activities in which the School serves only as the custodian for assets that belong to others, such as student activities funds.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

This document also includes the following information required by the Uniform Guidance: schedule of expenditures of federal awards and accompanying note, independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and the schedule of findings and questioned costs. In addition, it includes the 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*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

The following table summarizes the major features of the School's financial statements, including the portion of the School they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

	<b>Government-wide Statements</b>	<b>Fund Statements</b>	
		<b>Governmental Funds</b>	<b>Fiduciary Fund</b>
Scope	Entire School (except the fiduciary fund)	The activities of the School that are not proprietary or fiduciary	Instances in which the School administers resources on behalf of someone else
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds	Statement of fiduciary net position Statement of changes in fiduciary net position
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term	Only assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **Government-wide Financial Statements**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide financial statements report the School's net position and how it has changed. Net position – the difference between the School's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way to measure the School's financial condition. Over time, increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the School, one needs to consider additional non-financial factors such as changes in the School's student base, the quality of the education and the safety of the School.

The government-wide financial statements of the School are generally divided into three categories:

Governmental Activities – Most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

Business-type Activities – In certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.

Component Units – There currently are no component units included within the reporting entity of the School.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law, and the School may establish other funds to control and manage money for particular purposes, such as for federal grants.

The School currently has two types of funds:

Governmental Funds – Most of the School's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the differences between them.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

Fiduciary Funds – The School is the custodian, or fiduciary, for assets that belong to others, such as student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the government-wide financial statements because the School cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's combined net position at June 30, 2022 and 2021 is summarized as follows – see table below:

	<u>Governmental Activities</u>		<b>Increase (Decrease)</b>
	<u>2022</u>	<u>2021</u>	
Current and other assets	\$ 11,715,374	\$ 8,995,271	30%
Capital assets, net	21,873,558	14,175,268	54%
Deferred outflows of resources	6,245,919	6,630,928	-6%
Total assets and deferred outflows	<u>39,834,851</u>	<u>29,801,467</u>	<u>34%</u>
Current and other liabilities	2,058,368	1,850,814	11%
Long-term liabilities	21,744,366	22,451,914	-3%
Deferred inflows of resources	8,526,494	1,043,108	717%
Total liabilities and deferred inflows	<u>32,329,228</u>	<u>25,345,836</u>	<u>28%</u>
<b>Net position:</b>			
Net investment in capital assets	8,594,908	8,903,374	-3%
Restricted	834,475	281,015	197%
Unrestricted	<u>(1,923,760)</u>	<u>(4,728,758)</u>	<u>59%</u>
Total net position	<u>\$ 7,505,623</u>	<u>\$ 4,455,631</u>	<u>68%</u>

Net capital assets, long-term liabilities, and net investment in capital assets changed due to the increase in capital asset additions and the recognition of related lease liability, net of current year payments, as a result of implementing new lease accounting under GASB 87. Deferred outflows of resources and deferred inflows of resources changed due to the remeasurement of the pension liability. The change in current and other liabilities is due to the timing of cash disbursements near year-end. Current and other assets and total net position changed due to the current year operating surplus and the activity noted above.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

**Change in Net Position**

The School's total revenues increased by 6% to \$32,440,521, and the total cost of all programs and services decreased by 1% to \$29,390,528 – see table below:

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2022</b>	<b>2021</b>	
<b>Revenues:</b>			
Federal sources passed through local school district	\$ 3,768,559	\$ 1,956,487	93%
State and local sources	26,282,256	26,195,007	0%
Contributions and other revenue	2,389,706	2,354,760	1%
<b>Total revenues</b>	<b>32,440,521</b>	<b>30,506,254</b>	<b>6%</b>
<b>Expenses:</b>			
Instruction	16,453,973	17,322,897	-5%
Student support	842,692	728,246	16%
Instructional media	145,686	129,364	13%
Instructional staff training	204,889	77,533	164%
Instruction-related technology	807,213	670,100	20%
Board	54,931	45,922	20%
General administration	72,488	71,053	2%
School administration	1,752,895	2,018,325	-13%
Fiscal services	895,200	822,860	9%
Food services	2,202,894	1,466,912	50%
Student transportation	2,278,386	2,013,928	13%
Operation of plant	2,000,262	3,042,649	-34%
Maintenance of plant	630,978	661,983	-5%
Community services	485,299	279,903	73%
Interest	562,742	199,841	182%
<b>Total expenses</b>	<b>29,390,528</b>	<b>29,551,516</b>	<b>-1%</b>
<b>Change in net position</b>	<b>\$ 3,049,993</b>	<b>\$ 954,738</b>	<b>219%</b>

Federal sources passed through local school district changed due to increased food service funding, as well as additional Elementary and Secondary School Emergency Relief ("ESSER") funding.

The increase in instructional staff training is the result of returning to more normal training activities after Covid-related reductions. Instruction-related technology increased due to increased ESSER funding available to pay such costs. The decrease in school administration is primarily the result of a decrease in pension expense. Food services increased due to increased student participation in the program due to free meals being available through federal funding. Student transportation increased due to increases in insurance, fuel and maintenance costs. Operation of plant decreased and interest expense increased as a result of the implementation of GASB 87. The increase in community services is the result of returning to more normal athletic activities after Covid-related cancellations.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

**FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As the School completed the year, its governmental funds reported a combined fund balance of \$9,657,006. Overall, revenues and expenditures changed for the same reasons described above.

**General Fund Budgetary Highlights**

Over the course of the year, the School revised its budget several times to account for the changes in student enrollment and resulting increases in appropriations.

For 2022, actual general fund revenues were approximately \$598,000 above the final budget, which represents a budget variance of 2%. Actual general fund expenditures were approximately \$8,941,000 above the final budget, which represents a budget variance of 34%. Excluding lease accounting changes implemented in the current year, general fund expenditures were approximately \$661,000 under the final budget, which represents a 3% budget variance.

**Special Revenue Fund Budgetary Highlights**

For 2022, actual special revenue fund revenues were approximately \$245,000 above the final budget, which represents a budget variance of 6%, primarily due to higher than expected ESSER funding. Actual special revenue fund expenditures were approximately \$202,000 above the final budget, which represents a budget variance of 6%, primarily due to higher than expected ESSER expenditures.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The School's investment in capital assets at the end of fiscal 2022 amounts to \$21,873,558 (net of accumulated depreciation). See table below:

	<b>Governmental Activities</b>		<b>Increase (Decrease)</b>
	<b>2022</b>	<b>2021</b>	
Construction in progress	\$ 12,178	\$ -	100%
Land	607,178	607,178	0%
Land improvements	860,501	774,507	11%
Buildings and improvements	21,378,886	11,764,930	82%
Furniture, fixtures and equipment	5,815,019	5,409,883	7%
Vehicles	3,552,974	3,401,273	4%
Less: accumulated depreciation	(10,353,178)	(7,782,503)	-33%
Total capital assets	<u>\$ 21,873,558</u>	<u>\$ 14,175,268</u>	<u>54%</u>



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

This year's major capital asset additions include the following:

- Building lease - \$9,390,000
- Air conditioning unit - \$187,000
- 610 iPads - \$179,000
- Four vehicles - \$149,000

There were no major capital asset disposals during the current year. More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

### **Long-term Debt**

As of June 30, 2022, the School had \$21,744,366 in long-term debt outstanding consisting of compensated absences, lease liabilities, notes payable and net pension liability. Additions to the lease liabilities were the result of the implementation of new lease accounting under GASB 87. In addition, scheduled payments reduced the amounts outstanding in the current year. More detailed information about the School's long-term liabilities is presented in Note 7 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2023:

- Increase in student enrollment
- Increase in base wages and related benefit costs
- Increase in facility operation costs

Amounts available for appropriation in the general fund are approximately \$27,581,000, an increase of 1% from the final 2022 amount of \$27,371,702. Budgeted expenditures are expected to be approximately \$26,778,000, a decrease of 24% from the final 2022 amount of \$35,015,101, primarily due to a decrease in non-recurring capital outlay expenditures. The School has added no major new programs to the fiscal 2023 budget.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2023.

### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 303 E. Peachtree Street, Lakeland, Florida, 33801.

## INDEPENDENT AUDITOR'S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the Board of Directors of The Schools of McKeel Academy, Inc., a Charter School  
and Component Unit of the District School Board of Polk County, Florida

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### 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; 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.

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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7, the budgetary comparison information on pages 37 – 38 and the pension information on pages 39 – 40 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.

### **Supplementary Information**

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

**OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Orlando, Florida  
October 31, 2022

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 9,643,477
Certificates of deposit	600,648
Accounts receivable	1,219,166
Other assets	252,083
Capital assets, net	21,873,558
Total assets	33,588,932
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension related deferred outflows of resources	6,245,919
Total assets and deferred outflows of resources	\$ 39,834,851
<b>LIABILITIES</b>	
Accounts payable	\$ 73,430
Accrued expenses	1,975,433
Due to custodial fund	1,511
Unearned revenue	7,994
Long-term liabilities:	
Due within one year	2,703,319
Due in more than one year	19,041,047
Total liabilities	23,802,734
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension related deferred inflows of resources	8,526,494
<b>NET POSITION</b>	
Net investment in capital assets	8,594,908
Restricted for:	
Food service	834,475
Unrestricted	(1,923,760)
Total net position	7,505,623
Total liabilities, deferred inflows of resources and net position	\$ 39,834,851

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 16,453,973	\$ 745,222	\$ 1,143,387	\$ -	\$ (14,565,364)	\$ (14,565,364)
Student support	842,692	-	161,939	-	(680,753)	(680,753)
Instructional media	145,686	-	-	-	(145,686)	(145,686)
Instructional staff training	204,889	-	114,305	-	(90,584)	(90,584)
Instruction-related technology	807,213	-	50	-	(807,163)	(807,163)
Board	54,931	-	12,240	-	(42,691)	(42,691)
General administration	72,488	-	-	-	(72,488)	(72,488)
School administration	1,752,895	-	14,414	-	(1,738,481)	(1,738,481)
Fiscal services	895,200	-	-	-	(895,200)	(895,200)
Food services	2,202,894	396,578	2,297,867	-	491,551	491,551
Student transportation	2,278,386	321,182	10,480	-	(1,946,724)	(1,946,724)
Operation of plant	2,000,262	-	13,877	-	(1,986,385)	(1,986,385)
Maintenance of plant	630,978	-	-	-	(630,978)	(630,978)
Community services	485,299	383,459	-	-	(101,840)	(101,840)
Interest	562,742	-	-	-	(562,742)	(562,742)
<b>Total primary government</b>	<b><u>\$ 29,390,528</u></b>	<b><u>\$ 1,846,441</u></b>	<b><u>\$ 3,768,559</u></b>	<b><u>\$ -</u></b>	<b><u>(23,775,528)</u></b>	<b><u>(23,775,528)</u></b>
General revenues:						
State and local sources					26,282,256	26,282,256
Contributions and other revenue					543,265	543,265
Total general revenues					<u>26,825,521</u>	<u>26,825,521</u>
Change in net position					3,049,993	3,049,993
Net position at beginning of year					<u>4,455,630</u>	<u>4,455,630</u>
Net position at end of year					<u>\$ 7,505,623</u>	<u>\$ 7,505,623</u>

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2022**

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Other Governmental Fund</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,809,002	\$ 834,475	\$ -	\$ 9,643,477
Certificates of deposit	600,648	-	-	600,648
Accounts receivable	43,830	1,097,274	78,062	1,219,166
Due from other governmental funds	1,175,336	-	-	1,175,336
Other assets	252,083	-	-	252,083
Total assets	<u>\$ 10,880,899</u>	<u>\$ 1,931,749</u>	<u>\$ 78,062</u>	<u>\$ 12,890,710</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 73,430	\$ -	\$ -	\$ 73,430
Accrued expenditures	1,975,433	-	-	1,975,433
Due to custodial fund	1,511	-	-	1,511
Due to general fund	-	1,097,274	78,062	1,175,336
Unearned revenue	7,994	-	-	7,994
Total liabilities	<u>2,058,368</u>	<u>1,097,274</u>	<u>78,062</u>	<u>3,233,704</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Other assets	252,083	-	-	252,083
Restricted for:				
Food service	-	834,475	-	834,475
Unassigned	8,570,448	-	-	8,570,448
Total fund balances	<u>8,822,531</u>	<u>834,475</u>	<u>-</u>	<u>9,657,006</u>
Total liabilities and fund balances	<u>\$ 10,880,899</u>	<u>\$ 1,931,749</u>	<u>\$ 78,062</u>	<u>\$ 12,890,710</u>

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



**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION**

**JUNE 30, 2022**

**Total fund balances - total governmental funds** **\$ 9,657,006**

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$32,226,736, and the accumulated depreciation is \$10,353,178. 21,873,558

The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Pension related deferred outflows of resources	6,245,919
Net pension liability	(7,478,097)
Pension related deferred inflows of resources	(8,526,494)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end include:

Compensated absences	(987,619)
Lease liabilities	(9,209,367)
Note payable	(4,069,283)
	(14,266,269)

**Total net position - governmental activities** **\$ 7,505,623**

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ -	\$ 3,768,559	\$ -	\$ 3,768,559
State and local sources	25,377,250	-	905,006	26,282,256
Contributions and other revenue	1,994,452	396,578	-	2,391,030
Total revenues	<u>27,371,702</u>	<u>4,165,137</u>	<u>905,006</u>	<u>32,441,845</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	14,230,978	1,143,387	-	15,374,365
Student support	605,783	161,939	-	767,722
Instructional media	136,883	-	-	136,883
Instructional staff training	90,584	114,305	-	204,889
Instruction-related technology	755,634	50	-	755,684
Board	42,691	12,240	-	54,931
General administration	72,488	-	-	72,488
School administration	1,818,031	14,414	-	1,832,445
Fiscal services	814,951	-	-	814,951
Food services	-	2,104,416	-	2,104,416
Student transportation	1,932,126	10,480	-	1,942,606
Operation of plant	1,986,385	13,877	-	2,000,262
Maintenance of plant	555,408	-	-	555,408
Community services	485,299	-	-	485,299
Debt service:				
Principal	690,726	-	905,006	1,595,732
Interest	562,742	-	-	562,742
Other capital outlay	10,234,392	36,569	-	10,270,961
Total expenditures	<u>35,015,101</u>	<u>3,611,677</u>	<u>905,006</u>	<u>39,531,784</u>
Excess (deficiency) of revenues over expenditures	<u>(7,643,399)</u>	<u>553,460</u>	<u>-</u>	<u>(7,089,939)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from lease liabilities	9,602,488	-	-	9,602,488
Total other financing sources	<u>9,602,488</u>	<u>-</u>	<u>-</u>	<u>9,602,488</u>
Net change in fund balances	1,959,089	553,460	-	2,512,549
Fund balances at beginning of year	6,863,442	281,015	-	7,144,457
Fund balances at end of year	<u>\$ 8,822,531</u>	<u>\$ 834,475</u>	<u>\$ -</u>	<u>\$ 9,657,006</u>

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2022**

**Net changes in fund balances - total governmental funds** **\$ 2,512,549**

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

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 and reported as depreciation expense. This is the amount by which capital outlays (\$10,270,961) exceed depreciation expense (\$2,571,346) in the current period. 7,699,615

In the statement of activities, the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the assets disposed. (1,324)

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 68,851

Pension income or expense resulting from GASB 68 included in the statement of activities does not provide or require the use of current financial resources and, therefore, is not reported as a net change in fund balances in the governmental funds. 777,058

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (9,602,488)

Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 1,595,732

**Change in net position of governmental activities** **\$ 3,049,993**

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2022**

	<b>Custodial Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 106,864
Due from the school	1,511
Total assets	\$ 108,375
<b>LIABILITIES</b>	
Accounts payable and accrued expenses	\$ 187
Total liabilities	187
<b>NET POSITION</b>	
Restricted for:	
Student activities	108,188
Total liabilities and net position	\$ 108,375

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<b>Custodial Fund</b>
<b>ADDITIONS</b>	
Collections for student activities	\$ 303,898
Total additions	303,898
<b>DEDUCTIONS</b>	
Payments for student activities	299,698
Total deductions	299,698
Change in net position	4,200
Net position at beginning of year	103,988
Net position at end of year	\$ 108,188

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

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
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THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Schools of McKeel 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 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of eight members. The School began when it converted from a public school to a charter school in July 1998.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Polk County, Florida (the "School Board"). The current charter is effective until June 30, 2028 and may be renewed in increments of fifteen years by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools. The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board's ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. 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. Based on these criteria, no component units are included within the reporting entity of the School.

**Basis of Presentation**

The School's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The government-wide financial statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions. Charges for services refer to amounts received from those who purchase, use or directly benefit from goods, services or privileges provided by a given function. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

The government-wide financial statements of the School are generally divided into three categories:

Governmental Activities – Most of the School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

Business-type Activities – In certain instances, the School may charge fees to help it cover the costs of certain services it provides. The School currently has no business-type activities.

Component Units – There currently are no component units included within the reporting entity of the School.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

General Fund – To account for all financial resources not required to be accounted for in another fund.

Special Revenue Fund – To account for the proceeds of specific revenue sources and grants that are restricted by law or administrative action to expenditure for specific purposes and to provide a single source of accountability for all funds received.

Capital Projects Fund – To account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

For purposes of these statements, the general and special revenue funds are considered major funds. The capital projects fund is considered non-major and is included as the other governmental fund.

Fiduciary Fund:

Custodial Fund – The School is the custodian, or fiduciary, for assets that belong to others, such as student activities funds. The School is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The School excludes these activities from the government-wide financial statements because the School cannot use these assets to finance its operations.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses/expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

**Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the fund level.

**Cash and Cash Equivalents and Certificates of Deposit**

Investments with an original maturity of three months or less at the time they are purchased are considered to be cash equivalents. Cash deposits and certificates of deposit are held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.



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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Receivables**

Receivables consist primarily of amounts due from governmental agencies for capital outlay or other programs. Allowances are reported when management estimates that accounts may be uncollectible.

**Capital Assets and Depreciation**

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at their approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

	<u>Years</u>
Land improvements	7 - 20
Buildings and improvements	3 - 40
Furniture, fixtures and equipment	3 - 20
Vehicles	3 - 10

Information relative to changes in capital assets is described in Note 4.

**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. Information relative to changes in long-term liabilities is described in Note 7.

**Long-term Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term liabilities is described in Note 7.

**Fund Balance Spending Policy**

The School's adopted spending policy is to spend from the restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

committed by formal action of the Board of Directors. The Board of Directors has delegated authority to assign funds to the Director of Schools, Assistant Director of Operations and to the Principals. There are no minimum fund balance requirements for any of the School's funds.

**Revenue Sources**

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board.

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the 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 full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 2% administrative fee from the School, which is reflected as a general administration expense/expenditure in the accompanying financial statements. This administrative fee is calculated on the FEFP revenue up to 500 students.

The School receives federal awards for the enhancement of various educational programs. This assistance is 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.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net position and restricted fund balance in the accompanying financial statements.

**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.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Use of Estimates**

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and the balance sheet – governmental funds and affect revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

**Subsequent Events**

The School has evaluated subsequent events through October 31, 2022, the date these financial statements were available to be issued.

**Recently Adopted Accounting Pronouncement**

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school’s leasing activities. The School adopted the standard on July 1, 2021 on a prospective basis. Upon adoption of the standard, \$9,602,488 in building and improvements, \$57,000 in furniture, fixtures and equipment, and \$9,659,488 in lease liability was recorded in the statement of net position. In addition, \$9,659,488 was recorded as other financing sources and capital outlay expenditures in the statement of revenues, expenditures and changes in fund balances – governmental funds. There was no effect on the School’s beginning net position and fund balance.

**2 INTERFUND ACTIVITIES**

Due to/from other funds consisted of the following balances as of June 30, 2022:

	<b>Interfund Receivables</b>	<b>Interfund Payables</b>
General fund	\$ 1,175,336	\$ -
Special revenue fund	-	1,097,274
Other non-major governmental fund	-	78,062
Total interfund	\$ 1,175,336	\$ 1,175,336

The amounts payable by the special revenue fund and the other non-major governmental fund to the general fund are to cover temporary cash shortages related to the timing of receipts.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**3 OTHER ASSETS**

Other assets consist of the following as of June 30, 2022:

Prepaid expenses	\$ 241,483
Deposits	<u>10,600</u>
Total other assets	<u><u>\$ 252,083</u></u>

**4 CHANGES IN CAPITAL ASSETS**

Capital asset activity during fiscal year 2022 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ -	\$ 12,178	\$ -	\$ 12,178
Land	<u>607,178</u>	<u>-</u>	<u>-</u>	<u>607,178</u>
Total capital assets not being depreciated	<u>607,178</u>	<u>12,178</u>	<u>-</u>	<u>619,356</u>
Capital assets being depreciated:				
Land improvements	774,507	85,994	-	860,501
Buildings and improvements	11,764,930	9,613,956	-	21,378,886
Furniture, fixtures and equipment	5,409,883	407,132	(1,996)	5,815,019
Vehicles	<u>3,401,273</u>	<u>151,701</u>	<u>-</u>	<u>3,552,974</u>
Total capital assets being depreciated	<u>21,350,593</u>	<u>10,258,783</u>	<u>(1,996)</u>	<u>31,607,380</u>
Less accumulated depreciation for:				
Land improvements	(271,053)	(47,631)	-	(318,684)
Buildings and improvements	(2,726,408)	(1,559,355)	-	(4,285,763)
Furniture, fixtures and equipment	(3,448,718)	(627,997)	671	(4,076,044)
Vehicles	<u>(1,336,324)</u>	<u>(336,363)</u>	<u>-</u>	<u>(1,672,687)</u>
Total accumulated depreciation	<u>(7,782,503)</u>	<u>(2,571,346)</u>	<u>671</u>	<u>(10,353,178)</u>
Capital assets being depreciated, net	<u>13,568,090</u>	<u>7,687,437</u>	<u>(1,325)</u>	<u>21,254,202</u>
Governmental activities capital assets, net	<u><u>\$ 14,175,268</u></u>	<u><u>\$ 7,699,615</u></u>	<u><u>\$ (1,325)</u></u>	<u><u>\$ 21,873,558</u></u>

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 1,636,064
Student support	82,151
Instructional media	9,077
Instruction-related technology	57,720
School administration	192,603
Fiscal services	83,336
Food services	97,936
Student transportation	336,363
Maintenance of plant	<u>76,096</u>
Total governmental activities depreciation expense	<u><u>\$ 2,571,346</u></u>

**5      CAMPUS FACILITY**

Title to the McKeel Academy of Technology school building and facilities and other capital assets acquired prior to July 1, 1998 remains with the District. Florida Statutes provide that the use of the McKeel Academy of Technology school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the District to the McKeel Academy of Technology or to the parents and teachers who organize the McKeel Academy of Technology. In management's opinion, the value of facilities utilized by the McKeel Academy of Technology are significant; therefore, any substantial changes in Florida Statutes related to facilities used by conversion charter schools could have a material effect on the School's operations.

**6      COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2022 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Legal Matters**

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**Risk Management Program**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

**7 LONG-TERM LIABILITIES**

Long-term liabilities activity during 2022 was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
Governmental activities:					
Compensated absences	\$ 1,056,470	\$ -	\$ (68,851)	\$ 987,619	\$ 987,619
Lease liabilities	1,045,831	9,602,488	(1,438,952)	9,209,367	1,549,354
Note payable	4,226,063	-	(156,780)	4,069,283	166,346
Net pension liability	16,123,550	-	(8,645,453)	7,478,097	-
Governmental activities, long-term liabilities	<u>\$22,451,914</u>	<u>\$9,602,488</u>	<u>\$(10,310,036)</u>	<u>\$21,744,366</u>	<u>\$2,703,319</u>

**Lease Liabilities**

The School leases a portion of its equipment under lease agreements that expire between 2023 and 2025. The equipment leases require annual or monthly payments of principal and interest at rates between 3% and 6%. The School also leases a building for a term ending in 2029. The lease is recorded with a 4% rate. The lease requires monthly payments of \$134,770. These monthly payments may increase annually based on the consumer price index.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Leased assets as of June 30, 2022 consist of the following:

	<b>Governmental Activities</b>
Buildings and improvements	\$ 9,390,000
Furniture, fixtures and equipment	1,700,518
Less accumulated depreciation	(2,007,912)
	\$ 9,082,606

Future debt service requirements related to leases are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2023	\$ 1,549,354	\$ 399,373	\$ 1,948,727
2024	1,563,500	338,064	1,901,564
2025	1,467,185	275,996	1,743,181
2026	1,399,383	217,862	1,617,245
2027	1,456,396	160,849	1,617,245
2028 - 2032	1,773,549	141,722	1,915,271
	\$ 9,209,367	\$ 1,533,866	\$ 10,743,233

**Note Payable**

Note payable consists of the following balance as of June 30, 2022:

Promissory note payable to a financial institution. Principal and interest payments of \$27,134 due monthly at an interest rate of 4%. A balloon payment is due in September 2025. The note is secured by one of the School's facilities and is subject to certain covenants.	\$ 4,069,283
Total note payable	4,069,283
Less amount due or payable within one year	166,346
Amount due or payable after one year	\$ 4,235,629

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**NOTES TO FINANCIAL STATEMENTS  
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Future debt service requirements related to the note payable is as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 166,346	\$ 159,258	\$ 325,604
2024	173,123	152,481	325,604
2025	180,177	145,427	325,604
2026	3,549,637	36,799	3,586,436
	<u>\$ 4,069,283</u>	<u>\$ 493,965</u>	<u>\$ 4,563,248</u>

**8 PENSION PLANS**

**Pension Plan Descriptions**

The Florida Department of Management Services, Division of Retirement (“Division”), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (“System”). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited annual comprehensive financial report (“ACFR”) on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the ACFR, which is available online or by contacting the Division.

The Florida Retirement System (“FRS”) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (“DROP”) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the FRS Pension Plan. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.



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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The Retiree Health Insurance Subsidy (“HIS”) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported by the School is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

Contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	10.82%
Florida Retirement System, Reemployed Retiree	(B)	(B)

- (A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.06% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.
- (B) Contribution rates are dependent upon the retirement class in which reemployed.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Information About the Employer's Proportionate Share of the Collective Net Pension Liability**

Assumptions and Other Inputs

The 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 HIS Program 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 FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. 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 each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. 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.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table.

The following changes in actuarial assumptions occurred in 2021:

- FRS: Decreasing the maximum amortization period to 20 years for all current and future amortization bases.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 2.21% to 2.16%.

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**NOTES TO FINANCIAL STATEMENTS  
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The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2021:

<b>School's Proportionate Share of FRS Net Pension Liability</b>			<b>School's Proportionate Share of HIS Net Pension Liability</b>		
<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
5.80%	6.80%	7.80%	1.16%	2.16%	3.16%
\$ 10,273,803	\$ 2,297,328	\$ (4,370,112)	\$ 5,989,470	\$ 5,180,769	\$ 4,518,218

The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued ACFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2021, are shown below (in thousands):

	<b>FRS</b>	<b>HIS</b>
Total pension liability	\$ 209,636,046	\$ 12,719,121
Plan fiduciary net position	(202,082,183)	(452,618)
Net pension liability	<u>\$ 7,553,863</u>	<u>\$ 12,266,503</u>
Plan fiduciary net position as a percentage of the total pension liability	96.40%	3.56%

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2021. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The total pension liability for the HIS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2021. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan.

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2022, the School reported a liability of \$7,478,097 for its proportionate share of the net pension liabilities. The School's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ended June 30, 2013 through June 30, 2021 for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

The School's proportions are as follows:

	<b>FRS</b>	<b>HIS</b>
June 30, 2021	0.0304%	0.0422%
June 30, 2020	0.0259%	0.0402%
Change	0.0045%	0.0020%

In accordance with GASB 68, paragraphs 54 and 71, changes in the School's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

Employer contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2021, was 5.7 years for FRS and 6.4 years for HIS.

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For the year ended June 30, 2022, the School recognized a reduction in pension expense of \$777,058. As of June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 567,128	\$ 2,170
Changes of assumptions	1,979,037	213,461
Net difference between projected and actual earnings on pension plan investments	5,401	8,014,799
Changes in proportion and differences between School contributions and proportionate share of contributions	2,156,591	296,064
School contributions subsequent to the measurement date	1,537,762	-
Total	<b>\$ 6,245,919</b>	<b>\$ 8,526,494</b>

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

<b>Reporting Period Ended June 30:</b>	<b>Amount</b>
2023	\$ (594,317)
2024	(879,814)
2025	(1,113,553)
2026	(1,420,286)
2027	153,799
Thereafter	35,834

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**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**9 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

The following is a schedule of state and local revenue sources and amounts:

District School Board of Polk County, Florida:	
Florida Education Finance Program	\$ 15,293,295
Class size reduction	3,235,062
Student transportation	1,240,436
Discretionary millage	1,033,511
Discretionary local effort	1,022,777
Capital outlay	905,006
Supplemental academic instruction	864,071
ESE guaranteed allocation	634,052
Teacher salary increase allocation	601,123
Instructional materials	289,720
VPK funding	236,834
Safe schools	179,471
Compression allocation	161,347
Mental health allocation	135,127
Advanced placement testing	134,902
Reading allocation	133,631
CAPE funds	92,308
Teacher lead	56,700
Dual enrollment	28,999
Digital classrooms allocation	3,884
Total	<u><u>\$ 26,282,256</u></u>

The administration fee paid to the School Board during fiscal year 2022 totaled approximately \$72,000, which is reflected as general administration expense/expenditure in the accompanying financial statements.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
State and local sources	\$ 24,223,347	\$ 24,864,257	\$ 25,377,250	\$ 512,993
Contributions and other revenue	1,148,500	1,909,455	1,994,452	84,997
Total revenues	<u>25,371,847</u>	<u>26,773,712</u>	<u>27,371,702</u>	<u>597,990</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	15,114,580	14,938,477	14,230,978	707,499
Student support	670,608	830,524	605,783	224,741
Instructional media	131,891	144,507	136,883	7,624
Instructional staff training	203,411	275,165	90,584	184,581
Instruction-related technology	664,041	725,032	755,634	(30,602)
Board	74,600	74,600	42,691	31,909
General administration	-	-	72,488	(72,488)
School administration	1,845,866	1,899,384	1,818,031	81,353
Fiscal services	922,215	953,856	814,951	138,905
Student transportation	2,005,687	2,271,041	1,932,126	338,915
Operation of plant	2,294,132	2,480,853	1,986,385	494,468
Maintenance of plant	754,054	771,306	555,408	215,898
Community services	320,012	491,530	485,299	6,231
Debt service:				
Principal	217,674	217,674	690,726	(473,052)
Interest	-	-	562,742	(562,742)
Other capital outlay	-	-	10,234,392	(10,234,392)
Total expenditures	<u>25,218,771</u>	<u>26,073,949</u>	<u>35,015,101</u>	<u>(8,941,152)</u>
Excess (deficiency) of revenues over expenditures	<u>153,076</u>	<u>699,763</u>	<u>(7,643,399)</u>	<u>(8,343,162)</u>
<b>OTHER FINANCING SOURCES</b>				
Proceeds from lease liabilities	-	-	9,602,488	9,602,488
Total other financing sources	-	-	<u>9,602,488</u>	<u>9,602,488</u>
Net change in fund balance	153,076	699,763	1,959,089	1,259,326
Fund balance at beginning of year	6,863,442	6,863,442	6,863,442	-
Fund balance at end of year	<u>\$ 7,016,518</u>	<u>\$ 7,563,205</u>	<u>\$ 8,822,531</u>	<u>\$ 1,259,326</u>

See independent auditor's report.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Final Budget- Positive (Negative)</u>
<b>REVENUES</b>				
Federal sources passed through local school district	\$ 881,416	\$ 3,515,076	\$ 3,768,559	\$ 253,483
Contributions and other revenue	856,000	405,000	396,578	(8,422)
Total revenues	<u>1,737,416</u>	<u>3,920,076</u>	<u>4,165,137</u>	<u>245,061</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	355,426	1,204,870	1,143,387	61,483
Student support	-	-	161,939	(161,939)
Instructional staff training	-	-	114,305	(114,305)
Instruction-related technology	-	-	50	(50)
Board	-	-	12,240	(12,240)
School administration	-	-	14,414	(14,414)
Food services	1,381,990	2,205,041	2,104,416	100,625
Student transportation	-	-	10,480	(10,480)
Operation of plant	-	-	13,877	(13,877)
Other capital outlay	-	-	36,569	(36,569)
Total expenditures	<u>1,737,416</u>	<u>3,409,911</u>	<u>3,611,677</u>	<u>(201,766)</u>
Net change in fund balance	-	510,165	553,460	43,295
Fund balance at beginning of year	281,015	281,015	281,015	-
Fund balance at end of year	<u>\$ 281,015</u>	<u>\$ 791,180</u>	<u>\$ 834,475</u>	<u>\$ 43,295</u>

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Florida Retirement System (FRS) Pension Plan										
School's proportion of the net pension liability (asset)	0.0304%	0.0259%	0.0247%	0.0243%	0.0234%	0.0243%	0.0267%	0.0251%		
School's proportionate share of the net pension liability (asset)	\$ 2,297,328	\$ 11,216,778	\$ 8,490,153	\$ 7,307,331	\$ 6,916,336	\$ 6,131,931	\$ 3,453,351	\$ 1,531,879		
School's covered-employee payroll	\$ 11,537,872	\$ 10,880,732	\$ 10,533,198	\$ 10,016,220	\$ 9,571,399	\$ 9,596,671	\$ 9,163,350	\$ 8,311,608		
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	20%	103%	81%	73%	72%	64%	38%	18%		
Plan fiduciary net position as a percentage of the total pension liability (asset)	96%	79%	83%	84%	84%	85%	92%	96%		
Retiree Health Insurance Subsidy (HIS) Program										
School's proportion of the net pension liability (asset)	0.0422%	0.0402%	0.0386%	0.0375%	0.0363%	0.0374%	0.0359%	0.0337%		
School's proportionate share of the net pension liability (asset)	\$ 5,180,769	\$ 4,906,772	\$ 4,316,836	\$ 3,973,477	\$ 3,879,455	\$ 4,360,548	\$ 3,665,838	\$ 3,151,429		
School's covered-employee payroll	\$ 14,954,850	\$ 14,031,707	\$ 12,907,946	\$ 12,263,694	\$ 11,564,842	\$ 11,562,254	\$ 11,040,181	\$ 10,013,986		
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35%	35%	33%	32%	34%	38%	33%	31%		
Plan fiduciary net position as a percentage of the total pension liability (asset)	4%	3%	3%	2%	2%	1%	1%	1%		

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

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**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 1,285,655	\$ 1,158,589	\$ 859,878	\$ 764,421	\$ 691,399	\$ 608,700	\$ 592,224	\$ 651,854	\$ 549,944	
Contributions in relation to the contractually required contribution	<u>1,285,655</u>	<u>1,158,589</u>	<u>859,878</u>	<u>764,421</u>	<u>691,399</u>	<u>608,700</u>	<u>592,224</u>	<u>651,854</u>	<u>549,944</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	\$ 11,522,441	\$ 11,537,872	\$ 10,880,732	\$ 10,533,198	\$ 10,016,220	\$ 9,571,399	\$ 9,596,671	\$ 9,163,350	\$ 8,311,608	
Contributions as a percentage of covered-employee payroll	11%	10%	8%	7%	7%	6%	6%	7%	7%	
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 252,107	\$ 248,258	\$ 231,579	\$ 214,237	\$ 203,591	\$ 192,016	\$ 191,775	\$ 137,407	\$ 115,459	
Contributions in relation to the contractually required contribution	<u>252,107</u>	<u>248,258</u>	<u>231,579</u>	<u>214,237</u>	<u>203,591</u>	<u>192,016</u>	<u>191,775</u>	<u>137,407</u>	<u>115,459</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	\$ 15,183,860	\$ 14,954,850	\$ 14,031,707	\$ 12,907,946	\$ 12,263,694	\$ 11,564,842	\$ 11,562,254	\$ 11,040,181	\$ 10,013,986	
Contributions as a percentage of covered-employee payroll	2%	2%	2%	2%	2%	2%	2%	1%	1%	

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See independent auditor's report.

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Grant Period</b>	<b>Expenditures</b>
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / School Breakfast Program	10.553	7/1/2021 - 6/30/2022	\$ 240,994
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program	10.555	7/1/2021 - 6/30/2022	1,903,999
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / Afterschool Snack Program	10.555	7/1/2021 - 6/30/2022	<u>23,216</u>
Total Child Nutrition Cluster			<u>2,168,209</u>
United States Department of Agriculture / Emergency Food Assistance Program (Food Commodities)	10.569	7/1/2021 - 6/30/2022	129,658
United States Department of Education / Florida Department of Education / Special Education Grants to States (IDEA, Part B) [part of the Special Education Cluster (IDEA)]	84.027	7/1/2021 - 6/30/2022	235,958
United States Department of Education / Florida Department of Education / Career and Technical Education - Basic Grants to States	84.048	7/1/2021 - 6/30/2022	23,982
United States Department of Education / Florida Department of Education / Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Title II)	84.367	7/1/2021 - 6/30/2022	114,305
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER II)	84.425D	6/1/2020 - 9/30/2022	* 1,059,647

See accompanying note to schedule of expenditures of federal awards.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(continued)**

<b>Federal Grantor / Pass-Through Grantor / Program Title</b>	<b>Federal Assistance Listing Number</b>	<b>Grant Period</b>	<b>Expenditures</b>
United States Department of Health and Human Services / Florida Department of Education / Child Care and Development Block Grant	93.575	7/1/2021 - 6/30/2022	36,800
Total Expenditures of Federal Awards			<u>\$ 3,768,559</u>

\* Represents COVID-19 funds

See accompanying note to schedule of expenditures of federal awards.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the School and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

For fiscal year 2022, the School did not elect to use the 10% de minimis indirect cost rate.

**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 of The Schools of McKeel Academy, Inc., a Charter School and Component Unit of the District School Board of Polk County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 31, 2022.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

Our consideration of 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 or significant deficiencies may exist that were not identified.

## **REPORT ON COMPLIANCE AND OTHER MATTERS**

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

## **PURPOSE OF THIS REPORT**

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



Orlando, Florida  
October 31, 2022

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

To the Board of Directors of The Schools of McKeel Academy, Inc., a Charter School and Component Unit of the District School Board of Polk County, Florida

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM**

**Opinion on Each Major Federal Program**

We have audited The Schools of McKeel Academy, Inc.’s (the “School”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School’s major federal programs for the year ended June 30, 2022. The School’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

**Basis for Opinion on Each Major Federal Program**

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

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

**Responsibilities of Management for Compliance**

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





### **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

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

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

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

### **PURPOSE OF THIS REPORT**

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

*BKHM, P.A.*

Orlando, Florida  
October 31, 2022

**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

<b>Assistance Listing Number</b>	<b>Grant Period</b>	<b>Name of Federal Program</b>
10.553	7/1/2021 – 6/30/2022	Child Nutrition Cluster: School Breakfast Program
10.555	7/1/2021 – 6/30/2022	Child Nutrition Cluster: National School Lunch Program
10.555	7/1/2021 – 6/30/2022	Child Nutrition Cluster: After School Snack Program

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as a low-risk auditee?	Yes
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**THE SCHOOLS OF MCKEEL ACADEMY, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(continued)**

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None

**SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS**

There were no prior year audit findings.

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL,  
CHAPTER 10.850**

To the Board of Directors of The Schools of McKeel Academy, Inc., a Charter School and Component Unit of the District School Board of Polk County, Florida

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2022, and have issued our report thereon dated October 31, 2022.

## **AUDITOR'S 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; the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"); and Chapter 10.850, Rules of the Auditor General.

## **OTHER REPORTING REQUIREMENTS**

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated October 31, 2022, should be considered in conjunction with this management letter.

## **PRIOR AUDIT FINDINGS**

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations 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 of the entity is The Schools of McKeel Academy, Inc., and the school codes assigned by the Florida Department of Education are 1671, 1682 and 1692.

## **FINANCIAL CONDITION AND MANAGEMENT**

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

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

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

## **TRANSPARENCY**

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

## **ADDITIONAL MATTERS**

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

## **PURPOSE OF THIS LETTER**

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

*BKHM, P.A.*

Orlando, Florida  
October 31, 2022

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