



**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, 2020



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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, 2020. Please read it in conjunction with the School's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The School's total net position decreased as compared to the prior year.
- During 2020, the School's expenses exceeded revenues by \$93,437, which is a decrease from the prior year when revenues exceeded expenses by \$1,694,249.
- Overall, revenues decreased by approximately \$65,000, which was a less than 1% decrease from the prior year.
- Overall, expenses increased by approximately \$1,723,000, which was a 7% increase from the prior year.
- Total assets and deferred outflows of resources were \$27,303,440 and total liabilities and deferred inflows of resources were \$24,006,462, resulting in net position of \$3,296,978 as of June 30, 2020.

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 statement provides information about the financial relationships in which the School acts solely as an agent for the benefit of others.

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.

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Fund
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 assets and liabilities
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	Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations

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 agent, 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, 2020 and 2019 is summarized as follows – see table below:

	Governmental Activities		Increase (Decrease)
	2020	2019	
Current and other assets	\$ 7,555,380	\$ 7,563,537	0%
Capital assets, net	13,806,630	11,037,524	25%
Deferred outflows of resources	5,941,430	6,599,918	-10%
Total assets and deferred outflows	<u>27,303,440</u>	<u>25,200,979</u>	<u>8%</u>
Current and other liabilities	2,240,365	1,693,693	32%
Long-term liabilities	19,616,217	17,221,194	14%
Deferred inflows of resources	2,149,880	2,895,677	-26%
Total liabilities and deferred inflows	<u>24,006,462</u>	<u>21,810,564</u>	<u>10%</u>
Net position:			
Net investment in capital assets	7,984,062	5,996,744	33%
Restricted	173,920	324,978	-46%
Unrestricted	<u>(4,861,004)</u>	<u>(2,931,307)</u>	<u>-66%</u>
Total net position	<u>\$ 3,296,978</u>	<u>\$ 3,390,415</u>	<u>-3%</u>

Capital assets, net increased due to capital asset additions in excess of depreciation expense. Deferred outflows of resources, long-term liabilities and deferred inflows of resources changed due to the remeasurement of the pension liability and due to debt additions. Current and other liabilities changed due to the timing of payments at year-end. Net investment in capital assets is the result of capital assets, net reduced by related borrowings. Total net position changed due to the current year operating deficit and the activity noted above.

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

Change in Net Position

The School's total revenues decreased by less than 1% to \$27,431,210, and the total cost of all programs and services increased by 7% to \$27,524,647 – see table below:

	<u>Governmental Activities</u>		<u>Increase (Decrease)</u>
	<u>2020</u>	<u>2019</u>	
Revenues:			
Federal sources passed through local school district	\$ 948,811	\$ 1,046,038	-9%
State and local sources	24,441,753	24,117,816	1%
Contributions and other revenue	<u>2,040,646</u>	<u>2,331,918</u>	<u>-12%</u>
Total revenues	<u>27,431,210</u>	<u>27,495,772</u>	<u>0%</u>
Expenses:			
Instruction	15,596,833	14,719,504	6%
Student support	588,758	622,431	-5%
Instructional media	118,894	144,131	-18%
Instructional staff training	156,689	208,734	-25%
Instruction-related technology	668,998	576,796	16%
Board	36,286	14,480	151%
General administration	67,753	66,741	2%
School administration	2,198,151	1,928,070	14%
Fiscal services	801,865	561,868	43%
Food services	1,557,053	1,666,036	-7%
Student transportation	1,799,564	1,564,760	15%
Operation of plant	2,864,232	2,967,571	-3%
Maintenance of plant	617,709	234,082	164%
Community services	261,439	303,880	-14%
Interest	<u>190,423</u>	<u>222,439</u>	<u>-14%</u>
Total expenses	<u>27,524,647</u>	<u>25,801,523</u>	<u>7%</u>
Change in net position	<u>\$ (93,437)</u>	<u>\$ 1,694,249</u>	<u>-106%</u>

Contributions and other revenue changed due to reduced food service, preschool and aftercare program revenues resulting from the School's temporary closing due to the coronavirus outbreak.

School administration, student transportation and maintenance of plant changed due to increased pension expense and increased staffing in the current year. Fiscal services changed due to increased staffing in the current year.

**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 \$5,315,015. 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 2020, actual general fund revenues were approximately \$235,000 above the final budget, which represents a budget variance of 1%. Actual general fund expenditures were approximately \$2,543,000 above the final budget, which represents a budget variance of 11%. The variance was due to additional spending for facilities acquisition and construction.

Actual other financing sources relating to capital asset transactions, which totaled approximately \$1,283,000, were not included in the final budget.

Special Revenue Fund Budgetary Highlights

For 2020, actual special revenue fund revenues and expenditures were not significantly different from the final budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The School's investment in capital assets at the end of fiscal 2020 amounts to \$13,806,630 (net of accumulated depreciation). See table below:

	Governmental Activities		Increase (Decrease)
	2020	2019	
Construction in progress	\$ 2,130,293	\$ 43,102	4842%
Land	607,178	607,178	0%
Land improvements	670,053	570,454	17%
Buildings and improvements	8,874,184	8,792,422	1%
Furniture, fixtures and equipment	5,066,123	4,020,456	26%
Vehicles	3,043,239	3,020,123	1%
Less: accumulated depreciation	(6,584,440)	(6,016,211)	-9%
Total capital assets	<u>\$ 13,806,630</u>	<u>\$ 11,037,524</u>	<u>25%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

- Classroom building - \$2,069,000
- iPads and computers - \$957,000
- Four buses - \$428,000
- Copier machines - \$255,000

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

- Five buses - \$415,000
- Copier machines - \$313,000

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, 2020, the School had \$5,822,568 in long-term debt outstanding consisting of capital leases and notes payable. This year's major long-term debt additions include the following:

- Capital lease of \$934,000 for iPads
- Capital lease of \$255,000 for copier machines

Scheduled payments reduced the amount outstanding in the current year. The School also terminated several separate capital leases for copier machines and consolidated them by entering into a new capital lease agreement. 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 2021:

- Projected increase in student population
- Additional hiring and increased benefit costs

Amounts available for appropriation in the general fund are approximately \$24,884,000, an increase of less than 1% from the final 2020 amount of \$24,818,497.

Budgeted expenditures are expected to be approximately \$23,970,000, a decrease of 10% from the final 2020 amount of \$26,504,944. Expenditures are expected to decrease due to a reduction in facilities acquisition costs. The School has added no major new programs to the fiscal 2021 budget.

MANAGEMENT'S DISCUSSION AND ANALYSIS
(continued)

Though not approved, management has revised the general fund budget for the School's response to recent developments in the coronavirus outbreak. Revenues are expected to be less than the initial budget due to the volume of students who are expected to attend school virtually, which reduces revenues associated with after-care, food service and transportation. Expenses are expected to be more than the initial budget to accommodate the virtual learning environment and to sustain the in-place workforce in anticipation of students returning to campuses later in the school year. These revisions result in a projected deficit of approximate \$340,000, however, the School has a pending application for approximately \$900,000 in Elementary and Secondary School Emergency Relief ("ESSER") Fund under the Coronavirus Aid, Relief, and Economic Security ("CARES") Act.

If these estimates are realized, the School's budgetary general fund balance is expected to increase by the close of fiscal 2021.

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 FINANCIAL STATEMENTS

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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of The Schools of McKeel Academy, Inc. as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 8, the budgetary comparison information on pages 36 – 37 and the pension information on pages 38 – 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other 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 is presented for purposes of additional analysis 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*, and is also 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 September 22, 2020 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.



Winter Park, Florida
September 22, 2020

**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, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 6,519,998
Certificates of deposit	597,002
Accounts receivable	157,749
Due from agency fund	126,410
Other assets	154,221
Capital assets, net	13,806,630
Total assets	21,362,010
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	5,941,430
Total assets and deferred outflows of resources	\$ 27,303,440
LIABILITIES	
Accounts payable	\$ 599,485
Accrued expenses	1,619,169
Unearned revenue	21,711
Long-term liabilities:	
Due within one year	1,614,516
Due in more than one year	18,001,701
Total liabilities	21,856,582
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	2,149,880
NET POSITION	
Net investment in capital assets	7,984,062
Restricted for:	
Food service	173,920
Unrestricted	(4,861,004)
Total net position	3,296,978
Total liabilities, deferred inflows of resources and net position	\$ 27,303,440

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, 2020

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</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	\$ 15,596,833	\$ 586,029	\$ 246,483	\$ -	\$ (14,764,321)	\$ (14,764,321)
Student support	588,758	-	-	-	(588,758)	(588,758)
Instructional media	118,894	-	-	-	(118,894)	(118,894)
Instructional staff training	156,689	-	112,801	-	(43,888)	(43,888)
Instruction-related technology	668,998	-	-	-	(668,998)	(668,998)
Board	36,286	-	-	-	(36,286)	(36,286)
General administration	67,753	-	-	-	(67,753)	(67,753)
School administration	2,198,151	-	-	-	(2,198,151)	(2,198,151)
Fiscal services	801,865	-	-	-	(801,865)	(801,865)
Food services	1,557,053	787,117	589,527	-	(180,409)	(180,409)
Student transportation	1,799,564	171,062	-	-	(1,628,502)	(1,628,502)
Operation of plant	2,864,232	-	-	-	(2,864,232)	(2,864,232)
Maintenance of plant	617,709	-	-	-	(617,709)	(617,709)
Community services	261,439	273,893	-	-	12,454	12,454
Interest	190,423	-	-	-	(190,423)	(190,423)
Total primary government	\$ 27,524,647	\$ 1,818,101	\$ 948,811	\$ -	(24,757,735)	(24,757,735)
General revenues:						
State and local sources					24,441,753	24,441,753
Contributions and other revenue					222,545	222,545
Total general revenues					24,664,298	24,664,298
Change in net position					(93,437)	(93,437)
Net position at beginning of year					3,390,415	3,390,415
Net position at end of year					\$ 3,296,978	\$ 3,296,978

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, 2020

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 6,395,299	\$ 124,699	\$ -	\$ 6,519,998
Certificates of deposit	597,002	-	-	597,002
Accounts receivable	35,707	49,221	72,821	157,749
Due from other governmental fund	72,821	-	-	72,821
Due from agency fund	126,410	-	-	126,410
Other assets	154,221	-	-	154,221
Total assets	<u>\$ 7,381,460</u>	<u>\$ 173,920</u>	<u>\$ 72,821</u>	<u>\$ 7,628,201</u>
LIABILITIES				
Accounts payable	\$ 599,485	\$ -	\$ -	\$ 599,485
Accrued expenditures	1,619,169	-	-	1,619,169
Due to general fund	-	-	72,821	72,821
Unearned revenue	21,711	-	-	21,711
Total liabilities	<u>2,240,365</u>	<u>-</u>	<u>72,821</u>	<u>2,313,186</u>
FUND BALANCES				
Nonspendable:				
Other assets	154,221	-	-	154,221
Restricted for:				
Food service	-	173,920	-	173,920
Committed:				
Classroom building	545,241	-	-	545,241
Unassigned	4,441,633	-	-	4,441,633
Total fund balances	<u>5,141,095</u>	<u>173,920</u>	<u>-</u>	<u>5,315,015</u>
Total liabilities and fund balances	<u>\$ 7,381,460</u>	<u>\$ 173,920</u>	<u>\$ 72,821</u>	<u>\$ 7,628,201</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, 2020

Total fund balances - total governmental funds	\$ 5,315,015
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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 \$20,391,070, and the accumulated depreciation is \$6,584,440.	13,806,630
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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	5,941,430
Net pension liability	(12,806,989)
Pension related deferred inflows of resources	(2,149,880)

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	(986,660)
Capital leases	(1,444,007)
Notes payable	(4,378,561)

Total net position - governmental activities	\$ 3,296,978
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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, 2020

	General Fund	Special Revenue Fund	Other Governmental Fund	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ 948,811	\$ -	\$ 948,811
State and local sources	23,542,946	-	898,807	24,441,753
Contributions and other revenue	1,275,551	787,117	-	2,062,668
Total revenues	24,818,497	1,735,928	898,807	27,453,232
EXPENDITURES				
Current:				
Instruction	13,455,982	246,483	-	13,702,465
Student support	562,389	-	-	562,389
Instructional media	109,739	-	-	109,739
Instructional staff training	43,888	112,801	-	156,689
Instruction-related technology	631,521	-	-	631,521
Board	36,286	-	-	36,286
General administration	67,753	-	-	67,753
School administration	1,957,946	-	-	1,957,946
Facilities acquisition and construction	2,134,766	-	-	2,134,766
Fiscal services	764,329	-	-	764,329
Food services	-	1,527,702	-	1,527,702
Student transportation	1,461,356	-	-	1,461,356
Operation of plant	1,879,092	-	898,807	2,777,899
Maintenance of plant	595,490	-	-	595,490
Community services	261,439	-	-	261,439
Debt service:				
Principal	407,870	-	-	407,870
Interest	190,423	-	-	190,423
Other capital outlay	1,944,675	-	-	1,944,675
Total expenditures	26,504,944	1,886,986	898,807	29,290,737
Deficiency of revenues under expenditures	(1,686,447)	(151,058)	-	(1,837,505)
OTHER FINANCING SOURCES				
Proceeds from capital asset disposals	93,018	-	-	93,018
Proceeds from capital leases	1,189,658	-	-	1,189,658
Total other financing sources	1,282,676	-	-	1,282,676
Net change in fund balances	(403,771)	(151,058)	-	(554,829)
Fund balances at beginning of year	5,544,866	324,978	-	5,869,844
Fund balances at end of year	\$ 5,141,095	\$ 173,920	\$ -	\$ 5,315,015

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, 2020

Net changes in fund balances - total governmental funds \$ (554,829)

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 (\$4,079,441) exceed depreciation expense (\$1,195,295) in the current period. 2,884,146

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. (115,040)

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. (87,054)

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. (1,438,872)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. (1,189,658)

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. 407,870

Change in net position of governmental activities \$ (93,437)

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 ASSETS AND LIABILITIES

JUNE 30, 2020

	<u>Agency Fund</u>
ASSETS	
Cash and cash equivalents	\$ 386,209
Accounts receivable	898
Total assets	<u>\$ 387,107</u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 3,714
Due to others	256,983
Due to the school	126,410
Total liabilities	<u>\$ 387,107</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**

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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

**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.

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Fiduciary Fund:

Agency Fund – To account for school internal funds, which are established to record the receipts and disbursements of various school activities administered for the general welfare of the students and completion of certain planned objectives and special programs of school groups. The School retains no equity interest in these funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of 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.

Receivables

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

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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.

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.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Subsequent Events

The School has evaluated subsequent events through September 22, 2020, the date these financial statements were available to be issued.

Recently Issued Accounting Pronouncements

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 new standard is effective for the fiscal year ending June 30, 2022. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The new standard is effective for the fiscal year ending June 30, 2021. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements.

2 INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances as of June 30, 2020:

	Interfund Receivables	Interfund Payables
General fund	\$ 199,231	\$ -
Other non-major governmental fund	-	72,821
Agency fund	-	126,410
Total interfund	\$ 199,231	\$ 199,231

The amount payable by the other non-major governmental fund to the general fund are to cover temporary cash shortages related to the timing of receipts. The amount payable by the agency fund to the general fund relates to the timing of reimbursement for expenditures the general fund paid on behalf of the agency fund.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 OTHER ASSETS

Other assets consists of the following as of June 30, 2020:

Prepaid expenses	\$ 145,621
Deposits	<u>8,600</u>
Total other assets	<u><u>\$ 154,221</u></u>

4 CHANGES IN CAPITAL ASSETS

Capital asset activity during fiscal year 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 43,102	\$ 2,137,591	\$ (50,400)	\$ 2,130,293
Land	<u>607,178</u>	<u>-</u>	<u>-</u>	<u>607,178</u>
Total capital assets not being depreciated	<u>650,280</u>	<u>2,137,591</u>	<u>(50,400)</u>	<u>2,737,471</u>
Capital assets being depreciated:				
Land improvements	570,454	99,599	-	670,053
Buildings and improvements	8,792,422	81,762	-	8,874,184
Furniture, fixtures and equipment	4,020,456	1,358,415	(312,748)	5,066,123
Vehicles	<u>3,020,123</u>	<u>452,474</u>	<u>(429,358)</u>	<u>3,043,239</u>
Total capital assets being depreciated	<u>16,403,455</u>	<u>1,992,250</u>	<u>(742,106)</u>	<u>17,653,599</u>
Less accumulated depreciation for:				
Land improvements	(197,771)	(31,086)	-	(228,857)
Buildings and improvements	(2,069,834)	(287,024)	-	(2,356,858)
Furniture, fixtures and equipment	(2,569,558)	(612,422)	204,493	(2,977,487)
Vehicles	<u>(1,179,048)</u>	<u>(264,763)</u>	<u>422,573</u>	<u>(1,021,238)</u>
Total accumulated depreciation	<u>(6,016,211)</u>	<u>(1,195,295)</u>	<u>627,066</u>	<u>(6,584,440)</u>
Capital assets being depreciated, net	<u>10,387,244</u>	<u>796,955</u>	<u>(115,040)</u>	<u>11,069,159</u>
Governmental activities capital assets, net	<u><u>\$ 11,037,524</u></u>	<u><u>\$ 2,934,546</u></u>	<u><u>\$ (165,440)</u></u>	<u><u>\$ 13,806,630</u></u>

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 701,568
Student support	26,984
Instructional media	8,995
Instruction-related technology	35,977
School administration	98,940
Fiscal services	26,984
Food services	31,024
Student transportation	250,498
Maintenance of plant	<u>14,325</u>
Total governmental activities depreciation expense	<u><u>\$ 1,195,295</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, 2020 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.

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

**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.

Operating Leases

The School leases one of its facilities under a non-cancelable operating lease that requires monthly payments of approximately \$100,000 through July 2029 and requires the School to pay insurance and other costs.

Aggregate remaining minimum rental commitments as of June 30, 2020 under the remaining lease are summarized as follows:

Year Ended June 30,	Amount
2021	\$ 1,197,398
2022	1,195,205
2023	1,195,205
2024	1,195,205
2025	1,195,205
2026 - 2030	5,976,027
2031 - 2035	99,600
Total future minimum lease payments	\$ 12,053,845

Lease expense totaled approximately \$1,259,000 for the year ended June 30, 2020, of which approximately \$69,000 is included in school administration and \$1,190,000 is included in operation of plant in the accompanying financial statements.

Construction Commitment

The School has entered into an agreement with a construction contractor to build a classroom building, which is an expansion to one of the School's facilities. As of June 30, 2020, the remaining construction commitment totaled approximately \$545,000.

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Uncertainty

The extent of the impact and effects of the recent outbreak of the coronavirus on the School's operations will depend on future developments, including the duration and spread of the outbreak, related travel advisories and restrictions, changes in enrollment and the impact on governmental funding, all of which are highly uncertain and cannot be predicted. While the School's operations have not been significantly impacted due to the virus to date, if the virus causes significant negative impacts to economic conditions, the School's operations may be adversely affected.

7 LONG-TERM LIABILITIES

Long-term liabilities activity during 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 899,606	\$ 87,054	\$ -	\$ 986,660	\$ 986,660
Capital leases	480,018	1,189,658	(225,669)	1,444,007	442,217
Notes payable	4,560,762	-	(182,201)	4,378,561	185,639
Net pension liability	11,280,808	1,526,181	-	12,806,989	-
Governmental activities, long-term liabilities	<u>\$17,221,194</u>	<u>\$2,802,893</u>	<u>\$(407,870)</u>	<u>\$19,616,217</u>	<u>\$ 1,614,516</u>

Capital Leases

The School leases a portion of its equipment under lease agreements that are classified as capital leases. The capital leases require annual or monthly payments of principal and interest at rates between 3% and 15%. The economic substance of the leases is that the School is financing the acquisition of the assets through leases, and, accordingly, they are recorded in the School's statement of net position.

Leased assets as of June 30, 2020 consist of the following:

	Governmental Activities
Furniture, fixtures and equipment	\$ 1,781,934
Less accumulated depreciation	(332,328)
	<u>\$ 1,449,606</u>

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

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Future debt service requirements related to capital leases are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 442,217	\$ 26,922	\$ 469,139
2022	345,281	35,193	380,474
2023	262,392	21,926	284,318
2024	271,534	12,784	284,318
2025	122,583	3,354	125,937
	<u>\$ 1,444,007</u>	<u>\$ 100,179</u>	<u>\$ 1,544,186</u>

Notes Payable

Notes payable consisted of the following balances as of June 30, 2020:

Promissory note payable to a financial institution. Principal and interest payments of \$26,105 due monthly at an interest rate of 3.8%. Beginning in October 2020, principal and interest payments of \$27,134 are due monthly at an interest rate based on the weekly average yield on the United States Treasury Securities adjusted to a constant maturity of five years, as made available by the Federal Reserve Board plus a margin of 2.8% (3.1% as of June 30, 2020). 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.

\$ 4,375,339

Promissory note payable to a financial institution. Principal and interest payments of \$1,619 are due monthly at an interest rate of 4.0%. Matures in August 2020. Note is secured by a bus.

3,222

Total notes payable

4,378,561

Less amount due or payable within one year

(185,639)

Amount due or payable after one year

\$ 4,192,922

Future debt service requirements related to notes payable are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 185,639	\$ 140,118	\$ 325,757
2022	199,866	125,738	325,604
2023	206,089	119,515	325,604
2024	212,506	113,098	325,604
2025	219,122	106,482	325,604
2026 - 2030	3,355,339	29,620	3,384,959
	<u>\$ 4,378,561</u>	<u>\$ 634,571</u>	<u>\$ 5,013,132</u>

**THE SCHOOLS OF MCKEEL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 comprehensive annual financial report (“CAFR”) 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 CAFR 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.

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, 2019, 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.

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**NOTES TO FINANCIAL STATEMENTS
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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%	8.47%
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.

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 2.60%. 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 6.90%. 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 3.50% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for the FRS Pension Plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS Program were based on the Generational RP-2000 with Projection Scale BB tables.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

The following changes in actuarial assumptions occurred in 2019:

- FRS: The long-term expected rate of return was decreased from 7.00% to 6.90%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 3.87% to 3.50%.

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, 2019:

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
	Current Discount Rate			Current Discount Rate	1% Increase
1% Decrease		1% Increase	1% Decrease		
5.90%	6.90%	7.90%	2.50%	3.50%	4.50%
\$ 14,676,647	\$ 8,490,153	\$ 3,323,384	\$ 4,927,890	\$ 4,316,836	\$ 3,807,898

The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued CAFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2019, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 198,012,334	\$ 11,491,044
Plan fiduciary net position	(163,573,726)	(302,045)
Net pension liability	<u>\$ 34,438,608</u>	<u>\$ 11,188,999</u>
Plan fiduciary net position as a percentage of the total pension liability	82.61%	2.63%

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, 2019. 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.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

The HIS actuarial valuation was prepared as of July 1, 2018, and update procedures were used to determine liabilities as of June 30, 2019. 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.

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

As of June 30, 2020, the School reported a liability of \$12,806,989 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, 2019 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:

	FRS	HIS
June 30, 2019	0.0247%	0.0386%
June 30, 2018	0.0243%	0.0375%
Change	0.0004%	0.0011%

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 – 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 – 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 – 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 – amortized over five years.

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**NOTES TO FINANCIAL STATEMENTS
(continued)**

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, 2019, was 6.4 years for FRS and 7.2 years for HIS.

For the year ended June 30, 2020, the School recognized pension expense of \$1,438,872. As of June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 556,008	\$ 10,555
Changes of assumptions	2,680,486	352,823
Net difference between projected and actual earnings on pension plan investments	2,786	469,720
Changes in proportion and differences between School contributions and proportionate share of contributions	1,610,693	1,316,782
School contributions subsequent to the measurement date	1,091,457	-
Total	\$ 5,941,430	\$ 2,149,880

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:

Reporting Period Ended June 30:	Amount
2021	\$ 1,008,118
2022	400,845
2023	678,378
2024	385,930
2025	126,653
Thereafter	100,169

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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	\$ 14,187,555
Class size reduction	3,350,152
Discretionary millage	925,204
Capital outlay	898,807
Student transportation	880,080
Discretionary tax equalization	869,051
Supplemental academic instruction	852,868
ESE guaranteed allocation	537,107
School recognition	328,998
Best and brightest scholarships	307,186
Instructional materials	266,385
VPK funding	224,797
Compression allocation	180,343
Safe schools	177,152
Reading allocation	132,038
Advanced placement testing	105,796
Mental health allocation	82,663
Teacher lead	53,352
CAPE funds	24,492
Educational facilities security grant	20,340
Dual enrollment	12,993
Digital classrooms allocation	9,958
Other	9,312
Discretionary lottery funds	3,083
Early high school graduation scholarships	2,041
Total	<u><u>\$ 24,441,753</u></u>

The administration fee paid to the School Board during fiscal year 2020 totaled approximately \$68,000, which is reflected as general administration expense/expenditure in the accompanying financial statements.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.
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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
State and local sources	\$ 22,801,783	\$ 23,533,698	\$ 23,542,946	\$ 9,248
Contributions and other revenue	1,256,083	1,049,984	1,275,551	225,567
Total revenues	<u>24,057,866</u>	<u>24,583,682</u>	<u>24,818,497</u>	<u>234,815</u>
EXPENDITURES				
Current:				
Instruction	12,865,017	14,396,103	13,455,982	940,121
Student support	615,268	595,353	562,389	32,964
Instructional media	123,342	118,582	109,739	8,843
Instructional staff training	253,810	145,576	43,888	101,688
Instruction-related technology	592,761	710,527	631,521	79,006
Board	66,900	66,900	36,286	30,614
General administration	-	-	67,753	(67,753)
School administration	1,995,588	1,956,549	1,957,946	(1,397)
Facilities acquisition and construction	-	-	2,134,766	(2,134,766)
Fiscal services	879,480	892,860	764,329	128,531
Student transportation	2,607,192	1,718,731	1,461,356	257,375
Operation of plant	2,401,553	2,313,077	1,879,092	433,985
Maintenance of plant	481,901	594,111	595,490	(1,379)
Community services	508,433	247,085	261,439	(14,354)
Debt service:				
Principal	174,861	206,688	407,870	(201,182)
Interest	-	-	190,423	(190,423)
Other capital outlay	-	-	1,944,675	(1,944,675)
Total expenditures	<u>23,566,106</u>	<u>23,962,142</u>	<u>26,504,944</u>	<u>(2,542,802)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>491,760</u>	<u>621,540</u>	<u>(1,686,447)</u>	<u>(2,307,987)</u>
OTHER FINANCING SOURCES				
Proceeds from capital asset disposals	-	-	93,018	93,018
Proceeds from capital leases	-	-	1,189,658	1,189,658
Total other financing sources	<u>-</u>	<u>-</u>	<u>1,282,676</u>	<u>1,282,676</u>
Net change in fund balance	491,760	621,540	(403,771)	(1,025,311)
Fund balance at beginning of year	5,544,866	5,544,866	5,544,866	-
Fund balance at end of year	<u>\$ 6,036,626</u>	<u>\$ 6,166,406</u>	<u>\$ 5,141,095</u>	<u>\$ (1,025,311)</u>

See independent auditor's report.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.
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REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Federal sources passed through local school district	\$ 954,932	\$ 912,256	\$ 948,811	\$ 36,555
Contributions and other revenue	919,000	921,207	787,117	(134,090)
Total revenues	<u>1,873,932</u>	<u>1,833,463</u>	<u>1,735,928</u>	<u>(97,535)</u>
EXPENDITURES				
Current:				
Instruction	340,932	322,729	246,483	76,246
Instructional staff training	-	-	112,801	(112,801)
Food services	1,479,137	1,510,734	1,527,702	(16,968)
Total expenditures	<u>1,820,069</u>	<u>1,833,463</u>	<u>1,886,986</u>	<u>(53,523)</u>
Net change in fund balance	53,863	-	(151,058)	(151,058)
Fund balance at beginning of year	324,978	324,978	324,978	-
Fund balance at end of year	<u>\$ 378,841</u>	<u>\$ 324,978</u>	<u>\$ 173,920</u>	<u>\$ (151,058)</u>

See independent auditor's report.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
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REQUIRED SUPPLEMENTARY INFORMATION

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Florida Retirement System (FRS) Pension Plan										
School's proportion of the net pension liability (asset)	0.0247%	0.0243%	0.0234%	0.0243%	0.0267%	0.0251%				
School's proportionate share of the net pension liability (asset)	\$ 8,490,153	\$ 7,307,331	\$ 6,916,336	\$ 6,131,931	\$ 3,453,351	\$ 1,531,879				
School's covered-employee payroll	\$ 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	81%	73%	72%	64%	38%	18%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	83%	84%	84%	85%	92%	96%				
Retiree Health Insurance Subsidy (HIS) Program										
School's proportion of the net pension liability (asset)	0.0386%	0.0375%	0.0363%	0.0374%	0.0359%	0.0337%				
School's proportionate share of the net pension liability (asset)	\$ 4,316,836	\$ 3,973,477	\$ 3,879,455	\$ 4,360,548	\$ 3,665,838	\$ 3,151,429				
School's covered-employee payroll	\$ 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	33%	32%	34%	38%	33%	31%				
Plan fiduciary net position as a percentage of the total pension liability (asset)	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.

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.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.
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REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 859,878	\$ 764,421	\$ 691,399	\$ 608,700	\$ 592,224	\$ 651,854	\$ 549,944			
Contributions in relation to the contractually required contribution	859,878	764,421	691,399	608,700	592,224	651,854	549,944			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
School's covered-employee payroll	\$ 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	8%	7%	7%	6%	6%	7%	7%			
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 231,579	\$ 214,237	\$ 203,591	\$ 192,016	\$ 191,775	\$ 137,407	\$ 115,459			
Contributions in relation to the contractually required contribution	231,579	214,237	203,591	192,016	191,775	137,407	115,459			
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			
School's covered-employee payroll	\$ 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%	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.

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.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.
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SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Grant Period	Expenditures
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / School Breakfast Program	10.553	7/1/2019 - 6/30/2020	\$ 72,943
United States Department of Agriculture / Florida Department of Education / National School Lunch Program	10.555	7/1/2019 - 6/30/2020	400,264
United States Department of Agriculture / Florida Department of Education / Afterschool Snack Program	10.555	7/1/2019 - 6/30/2020	<u>17,776</u>
Total Child Nutrition Cluster			490,983
United States Department of Agriculture / Emergency Food Assistance Program (Food Commodities)	10.569	7/1/2019 - 6/30/2020	98,544
United States Department of Education / Florida Department of Education / Special Education - Grants to States (IDEA, Part B)	84.027	7/1/2019 - 6/30/2020	223,248
United States Department of Education / Florida Department of Education / Career and Technical Education - Basic Grants to States	84.048	7/1/2019 - 6/30/2020	20,063
United States Department of Education / Florida Department of Education / Improving Teacher Quality State Grants (Title II)	84.367	7/1/2019 - 6/30/2020	112,801
United States Department of Homeland Security / Florida Department of Education / Disaster Grants - Public Assistance	97.036	7/1/2019 - 6/30/2020	<u>3,172</u>
Total Expenditures of Federal Awards			<u><u>\$ 948,811</u></u>

See accompanying note to schedule of expenditures of federal awards.

**THE SCHOOLS OF MCKEEL ACADEMY, INC.
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NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2020

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 2020, 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, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 22, 2020.

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 may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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

BKHM, P.A.

Winter Park, Florida
September 22, 2020

**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

We have audited The Schools of McKeel Academy, Inc.'s, (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2020. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on Each Major Federal Program

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, 2020.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Winter Park, Florida
September 22, 2020

**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, 2020

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 the major programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
10.553	7/1/2019 – 6/30/2020	School Breakfast Program
10.555	7/1/2019 – 6/30/2020	National School Lunch Program
10.555	7/1/2019 – 6/30/2020	Afterschool 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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SECTION II - FINANCIAL STATEMENT FINDINGS

None

**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 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, 2020, and have issued our report thereon dated September 22, 2020.

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 September 22, 2020, 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.

Winter Park, Florida
September 22, 2020

1560 Orange Avenue, Suite 600, Winter Park, Florida 32789 | 407.998.9000 | Fax 407.998.9010