

SEBASTIAN CHARTER JUNIOR HIGH, INC.

**Basic Financial Statements
with
Independent Auditors' Report**

Year ended June 30, 2022

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KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC
Certified Public Accountants

Independent Auditors' Report

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sebastian Charter Junior High, Inc. (the School), a component unit of Indian River County School District, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Sebastian Charter Junior High, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2022, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Kmetz, Elwell, Graham & Associates

Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants
Vero Beach, Florida

September 20, 2022

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

As management of Sebastian Charter Junior High, Inc. (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022. This overview and analysis is required by generally accepted accounting principles (GAAP) in the United States of America in Governmental Accounting Standards Board Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34).

FINANCIAL HIGHLIGHTS

- The assets of the School as reported in the government-wide financial statements exceeded its liabilities at the close of the current fiscal year by \$3,208,689 (net position). Of this amount, \$1,753,149 (unrestricted net position) may be used to meet the ongoing obligations of the School, while \$25,816 is designated for capital improvements. The School's total net position increased by \$437,787 or 16% in comparison with prior year net position.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balances of \$1,778,965 or 69% of total expenditures. Of this amount, \$1,753,149 (unassigned fund balance) may be used to meet the ongoing obligations of the School, while \$25,816 is committed for capital improvements. The School's combined ending fund balance increased by \$202,288 or 13% in comparison with the prior year balance.
- Investment in capital assets increased compared to the prior year by \$235,499 or 20%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise five components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and 5) supplementary auditors' reports.

Government-wide financial statements – The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the School's assets (both short-term spendable resources and capital assets) and liabilities, with the difference between the two reported as *net position*. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements present functions of the School that are principally supported by local revenues (FTE dollars through the Indian River County School District) (*governmental activities*) as opposed to business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. The School has no business-type activities and no component units for which they are financially accountable. The government-wide financial statements can be found on pages 10 and 11 of this report.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Fund financial statements – A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds used by the School are considered governmental fund types.

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

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

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. The School adopts an annual appropriated budget for all major funds. Government accounting standards require the School to report a budgetary comparison statement for the general fund and any major special revenue funds. A budgetary comparison statement has been provided for the general fund. The School has no major special revenue funds. The basic governmental fund financial statements can be found on pages 12 - 14 of this report.

Notes to the financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 - 24 of this report.

Required supplementary information – The information in this section is required by the Governmental Accounting Standards Board (GASB). It consists of the Management's Discussion and Analysis (MD&A).

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$3,208,689, at June 30, 2022.

A portion of the School's net position (45%) reflects its investment in capital assets, net of related debt (e.g., land, buildings, equipment and furniture). The School has related debt outstanding as of June 30, 2022 of \$1,441,312 that was used to acquire these assets. The School uses these capital assets to provide educational services; consequently, these assets are *not* available for future spending.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S NET POSITION

An additional portion of the School's net position (55%) represents *unrestricted net position* that is available to meet the financial obligations of the School. At the end of the current fiscal year, the School is able to report positive balances in both categories of net position.

	2022	2021
Current assets	\$ 1,954,628	\$ 1,676,347
Capital assets, net	2,871,036	2,822,170
Total assets	4,825,664	4,498,517
Current liabilities	369,341	286,230
Long-term liabilities:	1,247,634	1,441,385
Total liabilities	1,616,975	1,727,615
Net position:		
Invested in capital assets	1,429,724	1,194,225
Unrestricted	1,778,965	1,576,677
Total net position	\$ 3,208,689	\$ 2,770,902

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

SEBASTIAN CHARTER JUNIOR HIGH, INC.'S CHANGE IN NET POSITION

	2022	2021
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 399,055	\$ 177,603
Capital grants and contributions	148,398	148,840
General revenues:		
FTE non-specific revenues	2,237,070	2,143,284
Total revenues	2,784,523	2,469,727
Expenses:		
Instruction	1,507,259	1,327,236
Instructional staff training	-	3,380
Board	475	810
School administration	320,075	330,070
Facilities acquisition and construction	42,404	7,365
Fiscal services	40,252	37,877
Food services	103,434	56,802
Transportation	44,291	39,972
Operation of plant	149,182	148,373
Maintenance of plant	15,668	16,526
Interest on long-term debt	58,620	65,592
Depreciation - unallocated	65,076	63,698
Total expenses	2,346,736	2,097,701
Change in net position	437,787	372,026
Net position, beginning of year	2,770,902	2,398,876
Net position, end of year	\$ 3,208,689	\$ 2,770,902

Governmental activities – The School relies heavily on general revenues (i.e., FTE dollars) to fund the expenses of the governmental activities. Program revenues consisting of capital and operating grants comprise 20% of total revenues. General revenues comprise 80% of total revenues.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

**SEBASTIAN CHARTER JUNIOR HIGH, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2022**

Governmental funds – The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

- As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$1,778,965, an increase of \$202,288 over the previous fiscal year. The fund balance consists of *unassigned* fund balance of \$1,753,149, which is available for spending at the School's discretion, while \$25,816 is *committed* for capital improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets – The School's investment in capital assets for its governmental activities as of June 30, 2022 amounted to \$2,871,036 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvement's other than buildings, equipment, furniture, and computer software. Additional information on the School's capital assets can be found in Notes 1 and 2 on pages 18 and 22 of this report.

Long-term debt – The School has related debt outstanding as of June 30, 2022 of \$1,441,312 that was used to acquire these assets. Additional information on the School's long-term debt can be found in Notes 1 and 3 on pages 19 and 23 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The School received the majority of its revenues from FTE dollars provided by the Indian River County School District.
- The Indian River County School District continues to retain approximately 2% as administrative costs from revenues.
- The Charter School's enrollment is expected to continue to be 100% for the fiscal year ending 2022-2023.

All of these factors were considered in preparing the School's budget for the 2022-2023 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to William Dodds, Principal, Sebastian Charter Junior High, Inc., 782 Wave Street, Sebastian, Florida 32958.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Net Position

June 30, 2022

	Governmental Activities	Business-type Activities	Total
Assets			
Cash	\$ 1,794,442	\$ -	\$ 1,794,442
Due from other agencies	126,369	-	126,369
Prepaid insurance	33,817	-	33,817
Capital assets, net	2,871,036	-	2,871,036
Total Assets	4,825,664	-	4,825,664
Liabilities			
Accounts payable and accrued liabilities	175,663	-	175,663
Long-term liabilities:			
Due within one year:			
Note payable	193,678	-	193,678
Due in more than one year:			
Note payable	1,247,634	-	1,247,634
Total Liabilities	1,616,975	-	1,616,975
Net Position			
Net investment in capital assets	1,429,724	-	1,429,724
Unrestricted, reported in:			
Designated for capital improvements	25,816	-	25,816
Governmental activities	1,753,149	-	1,753,149
Total Net Position	\$ 3,208,689	\$ -	\$ 3,208,689

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Activities

Year ended June 30, 2022

	Expenses	Charges for Services	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
			Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Functions/Programs							
Governmental activities:							
Instruction	\$ 1,549,663	\$ -	\$ 208,785	\$ -	\$ (1,340,878)	\$ -	\$ (1,340,878)
Board	475	-	-	-	(475)	-	(475)
School administration	320,075	-	5,256	-	(314,819)	-	(314,819)
Fiscal services	40,252	-	-	-	(40,252)	-	(40,252)
Food services	103,434	-	-	-	-	-	-
Transportation	44,291	-	103,434	-	-	-	-
Operation of plant	149,182	-	81,457	-	37,166	-	37,166
Maintenance of plant	15,668	-	123	-	(149,059)	-	(149,059)
Interest on long-term debt	58,620	-	-	-	(15,668)	-	(15,668)
Depreciation - unallocated *	65,076	-	-	148,398	89,778	-	89,778
					(65,076)	-	(65,076)
Total governmental activities	\$ 2,346,736	\$ -	\$ 399,055	\$ 148,398	(1,799,283)	-	(1,799,283)
General Revenues:							
Local revenue:							
Florida Education Finance Program					1,887,954	-	1,887,954
Instructional materials					19,486	-	19,486
Class size					258,938	-	258,938
Teacher supply assistance program					4,663	-	4,663
Other miscellaneous local sources					66,029	-	66,029
Total general revenues and special items					2,237,070	-	2,237,070
Change in net position					437,787	-	437,787
Net Position, beginning					2,770,902	-	2,770,902
Net Position, ending					\$ 3,208,689	\$ -	\$ 3,208,689

* This amount excludes the depreciation that is included in the direct expenses of the various programs.

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Balance Sheet - Governmental Funds

June 30, 2022

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,794,442	\$ -	\$ -	\$ 1,794,442
Due from other agencies	126,369	-	-	126,369
Prepaid insurance	33,817	-	-	33,817
Total Assets	\$ 1,954,628	\$ -	\$ -	\$ 1,954,628
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 175,663	\$ -	\$ -	\$ 175,663
Total Liabilities	175,663	-	-	175,663
Fund balance:				
Committed for capital improvements	25,816	-	-	25,816
Unassigned	1,753,149	-	-	1,753,149
Total Fund Balances	1,778,965	-	-	1,778,965
Total Liabilities and Fund Balances	\$ 1,954,628	\$ -	\$ -	\$ 1,954,628
Total fund balances				
				\$ 1,778,965
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 in the funds.				2,871,036
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.				(1,441,312)
Net position of governmental activities				<u>\$ 3,208,689</u>

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Statement of Revenues, Expenditures and Changes in
Fund Balances - Governmental Funds
Year ended June 30, 2022

	General Fund	Capital Project Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal through state and local	\$ -	\$ 148,398	\$ 399,055	\$ 547,453
Local	2,237,070	-	-	2,237,070
Total Revenues	2,237,070	148,398	399,055	2,784,523
Expenditures				
Current - Education:				
Instruction	1,332,381	-	208,785	1,541,166
Board	475	-	-	475
School administration	314,819	-	5,256	320,075
Fiscal services	40,252	-	-	40,252
Food services	-	-	103,434	103,434
Transportation	42,870	-	1,421	44,291
Operation of plant	149,058	-	123	149,181
Maintenance of plant	15,668	-	-	15,668
Debt service	96,855	148,398	-	245,253
Fixed Capital Outlay				
Motor Vehicles	-	-	80,036	80,036
Facilities acquisition and construction	42,404	-	-	42,404
Total Expenditures	2,034,782	148,398	399,055	2,582,235
Excess of Revenues over Expenditures	202,288	-	-	202,288
Net Change in Fund Balances	202,288	-	-	202,288
Fund Balances, beginning of year	1,576,677	-	-	1,576,677
Fund Balances, end of year	\$ 1,778,965	\$ -	\$ -	\$ 1,778,965

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the

Indian River County District School Board

Reconciliation of the Governmental Funds Statement of Revenues,

Expenditures and Changes in Fund Balances to the Statement of Activities

Year ended June 30, 2022

Net change in fund balances - governmental funds	\$ 202,288
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$73,572) is less than capital outlays (\$122,440) in the period.	48,866
Repayment of note payable and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	186,633
Change in net position of governmental activities	\$ 437,787

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.

A Charter School and Component Unit of the
Indian River County District School Board
Budgetary Comparison Schedule - General Fund

Year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local	\$ 2,295,668	\$ 2,295,668	\$ 2,237,070	\$ (58,598)
Total Revenues	2,295,668	2,295,668	2,237,070	(58,598)
Expenditures	1,220,321			
Current - Education:				
Instruction	1,394,567	1,394,567	1,332,381	62,186
Instructional staff training	2,000	2,000	-	2,000
Board	1,600	1,600	475	1,125
School administration	323,726	323,726	314,819	8,907
Fiscal services	40,000	40,000	40,252	(252)
Transportation	50,000	50,000	42,870	7,130
Operation of plant	136,400	136,400	149,058	(12,658)
Maintenance of plant	20,000	20,000	15,668	4,332
Debt service	245,253	245,253	96,855	148,398
Fixed Capital Outlay				
Facilities acquisition and construction	-	-	42,404	(42,404)
Total Expenditures	2,213,546	2,213,546	2,034,782	178,764
Net Change in Fund Balances	<u>\$ 82,122</u>	<u>\$ 82,122</u>	202,288	<u>\$ 120,166</u>
Fund Balance, beginning of year			1,576,677	
Fund Balance, end of year			<u>\$ 1,778,965</u>	

See accompanying notes to the basic financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements
June 30, 2022

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

The Sebastian Charter Junior High, 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 Board of Directors which is composed of not less than five members. The School is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the School has been determined not to be a private foundation within the meaning of Section 509(a) of the Code.

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 Indian River County District School Board. The current charter was renewed in 2010 and is effective until June 30, 2025. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District 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 District may also terminate the charter if good cause is shown. The Sebastian Charter Junior High, Inc. is considered a component unit of the Indian River County District School Board.

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 Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide 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 (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements.

The basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The School has no business-type activities. Governmental fund financial statements include a reconciliation, with brief explanations, to better identify the relationship between the government-wide statements and the statements for governmental funds. Reconciling items arise from differences in the measurement focuses and basis of accounting between the statements, and certain required eliminations.

Note 1 – Summary of Significant Accounting Policies (continued)

Basic Financial Statements - Government-wide Statements

In the government-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The School's net position is reported in two parts – invested in capital assets and unrestricted net position. The School first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the School's functions and business-type activities. The functions are also supported by general revenues (funding received from the Indian River County School District, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function (administration, food services, facilities acquisition and construction, etc.) or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue. The School does not allocate indirect costs. This government-wide focus is more on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, fund equity, 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 School's major governmental funds are as follows:

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

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Basis of Accounting

Basis of accounting refers to when revenues and 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.

Both governmental and business-type activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Note 1 – Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

The governmental funds financial statements are prepared using the modified accrual basis of accounting. Under the modified accrual basis, revenues, except for certain grant revenues, are recognized when they become measurable and available to finance expenditures of the current period. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except unmatured interest on long-term debt, which should be recognized when due. The principal exception to this general rule is that prepaid items are generally not accrued.

Budgetary Basis Accounting

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay). The budget is adopted and approved by the Board of Directors. The budget amounts presented in the accompanying financial statements are as amended by the School's Board of Directors and adopted on a basis consistent with generally accepted accounting principles.

Cash

The School maintains cash in financial institutions that are insured by the Federal Deposit Insurance Corporation ("FDIC"). The FDIC deposit insurance limit for cash is currently \$250,000 per depositor, per insured institution. As of June 30, 2022, the School has deposits held at financial institutions which exceed the FDIC insurance limit by \$241,937. The School has not experienced any losses on such amounts and does not believe it is exposed to any significant risk with respect to such balances.

Capital Assets and Depreciation

Expenditures for capital assets acquired for general school purposes are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. All capital assets are capitalized at cost and updated for additions and retirements during the year. Donated assets are recorded at fair market value at the date of donation. The School maintains a capitalization threshold of \$750. The School does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Buildings and fixed equipment	50 years
Improvements other than buildings	40 years
Computers and software	5 years
Property under capital leases	5 years

Deferred Revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements awarded before the eligibility requirements are met are recorded as deferred revenue.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Accrued Liabilities and Long-term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. Payments made within sixty days after year end are considered to have been made with current available financial resources. Other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Revenue Sources

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

The School received 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.

Program Revenues

Amounts reported as program revenues include occasional and nominal charges paid by the recipient of the goods or services offered by the program and grants, and by contributions that are restricted to meeting the operational or capital requirements of a particular program. All internally dedicated resources are reported as general revenues rather than program revenues. Revenues that are not classified as program revenues are presented as general revenues.

Compensated Absences

Sick and personal leave expenditures are recognized when payments are made to the employees. Up to two sick days and one personal day may be rolled over each year.

Expenditures

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of costs, such as depreciation and amortization, are not recognized in governmental funds.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

Interfund Activity

Loans between governmental funds are reported as interfund receivables or payables as appropriate and are subject to elimination upon consolidation. Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds.

Fund Balance Disclosures

In accordance with GASB No. 54, the classifications used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2022.

Spendable Fund Balance includes Restricted, Committed, Assigned, and Unassigned designations:

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School did not have any restricted resources as of June 30, 2022.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School has \$25,816 committed for capital improvements as of June 30, 2022.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the School or by an official or body to which the School delegates the authority. The School did not have any assigned resources as of June 30, 2022.

Unassigned – This classification includes the residual fund balance for the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet (page 12). The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 1 – Summary of Significant Accounting Policies (continued)

General Fund

The General Fund has Unassigned Fund Balance of \$1,753,149 at June 30, 2022.

Fund Balance Disclosures

The School implemented GASB Statement No. 63, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB No. 63),” in 2012, as required. The purpose of GASB No. 63 is to establish guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position.

Governmental-wide Financial Statements

In accordance with GASB No. 63, the School classifies net position in the government-wide financial statements as follows:

Net Investment in Capital Assets – This classification includes the School’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position – This classification includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The School typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project. The School did not have any restricted net position as of June 30, 2022.

Unrestricted Net Position – This classification typically includes unrestricted liquid assets. The School has the authority to revisit or alter this designation.

Subsequent Events

COVID-19 Disruption

In March 2020, a global pandemic was declared by the World Health Organization as a result of the rapidly growing outbreak of the coronavirus, COVID-19. The pandemic has significantly impacted the economic conditions in the United States, including disrupting supply chains and affecting production and sales across a range of industries. The extent of the ultimate effects of COVID-19 on the School’s operating and financial performance cannot be predicted at this time, as they are dependent on many factors, including, but not limited to: (i) the duration and spread of the outbreak, (ii) the impact on our community, management personnel and service providers, and (iii) the impact on the local, state, national and global economies.

Management has evaluated subsequent events through September 20, 2022, the date the financial statements were available to be issued. After consideration of the above, management is not aware of any additional events subsequent to the statement of net position date which would require additional adjustments to, or disclosure in, the accompanying financial statements.

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 2 – Capital Assets

Capital asset activity for governmental activities for the year ended June 30, 2022, was as follows:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
Capital assets not being depreciated:				
Land	\$ 180,733	\$ -	\$ -	\$ 180,733
Total capital assets not being depreciated	180,733	-	-	180,733
Other capital assets:				
Buildings and fixed equipment	3,132,600	-	-	3,132,600
Furniture, fixtures and equipment	285,552	42,404	-	327,956
Computer software	11,277	-	-	11,277
Vehicles	-	80,036	-	80,036
Total other capital assets at historical cost	3,429,429	122,440	-	3,551,869
Less accumulated depreciation for:				
Buildings and fixed equipment	(501,256)	(65,076)	-	(566,332)
Furniture, fixtures and equipment	(275,461)	(8,496)	-	(283,957)
Computer software	(11,277)	-	-	(11,277)
Total accumulated depreciation	(787,994)	(73,572) *	-	(861,566)
Other capital assets, net	2,641,435	48,868	-	2,690,303
Governmental activities capital assets, net	\$ 2,822,168	\$ 48,868	\$ -	\$ 2,871,036

* Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 8,496
Unallocated	65,076
	\$ 73,572

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 3— Long-Term Liabilities

In August 2012, the School negotiated a \$2,800,000 construction/permanent financing loan with Seacoast National Bank. The mortgage term is 198 months (16.5 years). After the construction period, the loan automatically converted to a fully-amortizing commercial mortgage with repayment consisting of 180 monthly principal and interest payments. The mortgage is secured by land, building and improvements. The loan is 90% guaranteed by the USDA under the Rural Development Business & Cooperative Program.

The loan was used to construct a new, larger, more permanent school building. Construction began in 2012 and was completed during 2014. During construction (the first eighteen months), the loan required monthly payments of interest only. Commencing on March 9, 2014, the loan required equal monthly payments of principal and interest of \$20,362 until maturity on February 8, 2029. During the first five (5) years, interest on the outstanding principal balance shall accrue and be payable at 3.75% per annum. This rate is based on the Non-Bank Qualified tax exempt equivalent rate. Commencing on August 9, 2017, the interest rate adjusted to a new fixed rate equal to the Non-Bank Qualified tax exempt equivalent rate of 3.5% over the five (5) year Treasury Constant Maturity, with a floor rate of 3.75%. This adjustment will occur every five (5) years on the anniversary date of the loan, until it is paid in full.

Amounts needed for the repayment of the mortgage at June 30, 2022, are as follows:

Fiscal year ending June 30, 2022	Principal	Interest	Total
2023	\$ 193,678	\$ 50,669	\$ 244,347
2024	201,067	43,280	244,347
2025	208,738	35,609	244,347
2026	216,702	27,645	244,347
2027 and after	621,127	32,011	653,138
	\$ 1,441,312	\$ 189,213	\$ 1,630,525

The changes in the School's long-term obligations for governmental activities during the year consist of the following:

	Principal Outstanding June 30, 2021	Additions	Reductions	Principal Outstanding June 30, 2022	Amount Due in One Year
Building mortgage	\$ 1,627,945	\$ -	\$(186,633)	\$ 1,441,312	\$ 193,678

Sebastian Charter Junior High, Inc.
A Charter School and Component Unit of the
Indian River County District School Board
Notes to Basic Financial Statements (continued)

Note 4 – Net Position

At June 30, 2022, the net position of the School consisted of the following:

	Governmental Activities	Business-type Activities
Net investment in capital assets:		
Net property, plant and equipment	\$ 2,871,036	\$ -
Less:		
Mortgage and capital leases payable	(1,441,312)	-
Total net investment in capital assets	1,429,724	-
Designated for capital improvements	25,816	-
Unrestricted	1,753,149	-
Total net position	\$ 3,208,689	\$ -

Note 5 – 401(k) Plan

The School initiated a 401(k) defined contribution plan on August 22, 2006 that covers all employees who have attained twenty-one years of age and satisfied a one-year service requirement. The plan is administered by the Principal Financial Group. Employees may make elective contributions up to 25% of their compensation and the limit established by federal law. The School may make elective contributions equal to the employee's contribution up to a limit of 3% of the employee's compensation for the fiscal year. For the year ended June 30, 2022, the School made elective contributions of \$25,310 to the plan.

Note 6– Risk Management Programs

During the year ended June 30, 2022, employees of the School were covered by purchased health insurance. The School contributes monthly for each employee to the plan, and employees, at their option, authorize payroll withholdings to pay contributions for dependents.

General liability, professional liability, property, and workers' compensation coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Commercial coverage has not been exceeded.



KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC
Certified Public Accountants

**Independent Auditors' Report on Internal Control over
Financial Reporting and on Compliance and Other
Matters based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, 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 Sebastian Charter Junior High, Inc. (the School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 2, 2022.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we identified one deficiency in internal control, described in the accompanying Schedule of Findings as item **2022-001** that we consider to be a material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings as item **2022-002** that we consider to be a significant deficiency.

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Ralph Beach, III, CPA, MST • James F. McGuigan, Jr., CPA • Stephanie Freetly, CPA • Jeannie Heran, CPA • Anette Gosselin, CPA

To the Board of Directors
Sebastian Charter Junior High, Inc.

Report on Compliance and Other Matters

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

Sebastian Charter Junior High, Inc.'s Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying Schedule of Findings. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

Kmetz, Elwell, Graham & Associates

Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants
Vero Beach, Florida

September 20, 2022

**Sebastian Charter Junior High, Inc.
Schedule of Findings
For the year ended June 30, 2022**

Item 2022-001

Insufficient Review and Oversight of Year-End Financial Accounting

Criteria or Specific Requirement:

Sebastian Charter Junior High, Inc. (the School) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition Found:

During our audit we noted that there was a year-end accrual to Due from Other Agencies for \$218,735. However, this final school year payment by the School District had already been received by the School in June of 2022.

Cause, Reason or Explanation:

Insufficient review and oversight of year-end financial accounting, and failure by the accounting department to communicate the error to management or the auditors during audit fieldwork.

Effect or Potential Effect:

Overstatement of the following accounts:

Due from Other Agencies (receivable)	\$218,735
Florida Education Finance Program (revenue)	\$214,360
Dues & Fees (expense)	\$ 4,375

Recommendations:

We recommend that management, the accounting department and the Board Treasurer have a meeting after the year-end accounting is complete, but before the start of the audit, to review all amounts, accounts, year-end adjusting journal entries and reconciliations. This will allow for questions, discussion, and explanations between management and the accounting department before the start of the year end audit.

Views of Responsible Officials:

The Board of Directors and management agree with our findings and our recommendations. Reference their attached Response to Findings.

Item 2022-002

Insufficient Review and Oversight of Year-End Financial Accounting

Criteria or Specific Requirement:

Sebastian Charter Junior High, Inc. (the School) is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America.

Condition Found:

During our audit we noted that at year-end a van purchased with ESSER grant funds for \$80,036 was not properly recorded. The purchase is reimbursable under the ESSER grant. However, an accrual of \$80,036 to Due from Other Agencies was not recorded.

Cause, Reason or Explanation:

Insufficient review and oversight of year-end financial accounting.

Effect or Potential Effect:

Understatement of the following accounts:

Due from Other Agencies (receivable)	\$80,036
Education Stabilization Funds (revenue)	\$80,036

Recommendations:

We recommend that management, the accounting department and the Board Treasurer have a meeting after the year-end accounting is complete, but before the start of the audit, to review all amounts, accounts, year-end adjusting journal entries and reconciliations. This will allow for questions, discussion, and explanations between management and the accounting department before the start of the year end audit.

Views of Responsible Officials:

The Board of Directors and management agree with our findings and our recommendations. Reference their attached Response to Findings.



KMETZ • ELWELL • GRAHAM & ASSOCIATES, PLLC

Certified Public Accountants

Independent Auditors' Management Letter

To the Board of Directors
Sebastian Charter Junior High, Inc.
Sebastian, Florida

Report on the Financial Statements

We have audited the basic financial statements of Sebastian Charter Junior High, Inc. (the School), Florida, as of and for the fiscal year ended June 30, 2022, and have issued our report thereon dated September 20, 2022.

Auditors' Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditors' report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated September 20, 2022, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. In connection with our prior year audit, we did not have any findings.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education are Sebastian Charter Junior High, Inc. and 5005.

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 Sebastian Charter Junior High, Inc. 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 Sebastian Charter Junior High, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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To the Board of Directors
Sebastian Charter Junior High, Inc.

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

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit, we recommended that Sebastian Charter Junior High, Inc. increase its capitalization threshold from \$750 to \$2,500. On August 30, 2022 the Board of Directors approved increasing the capitalization threshold to \$2,500.

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 Sebastian Charter Junior High, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Sebastian Charter Junior High, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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 Indian River County School District, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.

Kmetz, Elwell, Graham & Associates

Kmetz, Elwell, Graham & Associates, PLLC
Certified Public Accountants
Vero Beach, Florida

September 20, 2022



Sebastian Charter Junior High
782 Wave Street, Sebastian, FL 32958
772-388-8838 / Fax 772-388-8815
www.scjh.org

September 20, 2022

To whom it may concern:

This letter is intended to address the issues raised in our audit for the fiscal year ended June 30, 2022, completed by Kmetz, Elwell, Graham & Associates, PLLC. The audit raised two issues in the Schedule of Findings that are both addressed below:

For both findings, management has agreed that we will have a year-end meeting to review the financial statements in more detail. This will give better oversight by the board members and also helping the outsourced bookkeeping firm with a "2nd set of eyes."

With having the review meeting, this should eliminate the adjustment that was needed in AJE #4. This was discovered after the books were turned over to the auditors by the outsourced bookkeeping firm, but the bookkeeper didn't make the auditors aware of it in a timely basis. In the future should any adjustments that are discovered after giving the books to the auditor, the bookkeeping firm will communicate those as soon as they are aware.

AJE #20 is recording a receivable from the State for funds that were due to the organization for the purchase of vehicles. This should be able to be caught in our year end meeting with the Treasurer. This was an oversight because of staff transition and not knowing the organization take possession of the vehicles.

Management agrees with the auditor recommendations. The Board of Directors and management are committed to enhancing or developing and implementing, the recommended internal controls to prevent, or detect and correct in a timely manner, the identified misstatements.

Sincerely,

Board of Directors President

Amy Speak

Principal

Dr. William Dodds

SOARING PROUDLY INTO THE FUTURE

An equal opportunity educator and employer revised 7/1/12