

Beaufort-Jasper Academy for Career Excellence

Report to the Board of Directors

For the year ended June 30, 2023



November 21, 2023

Board of Directors
Beaufort-Jasper Academy for Career Excellence
Ridgeland, South Carolina

To the Members of the Board of Directors:

We are pleased to present this report related to our audit of the financial statements of the Beaufort-Jasper Academy for Career Excellence (the "Academy") as of and for the year ended June 30, 2023. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for Academy's financial reporting process.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the you.

A handwritten signature in black ink that reads "Elliott Davis, LLC". The signature is written in a cursive style with a long, sweeping underline.

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Required Communications

Auditing standards generally accepted in the United States of America (AU-C 260, *The Auditor's Communication With Those Charged With Governance*) require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated June 6, 2023. Our audit of the basic financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated July 28, 2023 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Academy. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- GASB 96, *Subscription Based Information Technology Arrangements* – During the fiscal year ending June 30, 2023, the Academy implemented GASB 96, *Subscription Based Information Technology Arrangements*. The implementation of this Statement did not have a material impact on the financial statements.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Required Communications, continued

Accounting Policies and Practices, continued

Management's Judgments and Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following summarizes the significant accounting estimates reflected in the Academy's June 30, 2023 financial statements:

Depreciation and Estimated Useful Lives of Capital Assets

The Academy capitalizes costs of capital assets acquired. Assets are depreciated using straight-line methods over the estimated useful lives of the respective assets. The Academy estimates the useful lives of capital assets based on the period over which the assets are expected to be available for use or the term of the lease for leasehold improvements.

The estimated useful lives of property, plant and equipment are reviewed periodically and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the relevant assets. In addition, the estimation of the useful lives of property, plant and equipment is based on internal technical evaluation and experience with similar assets. The estimated lives are determined by management considering factors such as the inherent nature of the type and/or category of asset, the expected time the asset is expected to be in service, lease term for leasehold improvements, and pace of market and/or technology change that might cause more rapid impairment or obsolescence. Management reviews the carrying value of capital assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Accounting for Pension Plan

Accounting for pension benefits, costs and related liabilities are developed using actuarial valuations. These valuations include various assumptions determined by management experts. Two critical assumptions are discount rate and expected long-term rate of return on plan assets. The discount rate is intended to mirror the yield on high-quality fixed income investments at the measurement date. A lower discount rate increases the present value of benefit obligations and increases pension expense and a higher discount rate has an inverse impact on the benefit obligations and pension expense. The expected long-term rate of return on plan assets is based on the historical and expected returns on various categories of plan assets. Material changes in pension costs may occur in the future due to changes in these assumptions.

Accounting for Other Post-Employment Benefits

Accounting for other postemployment benefits, costs and related liabilities are developed using actuarial valuations. These valuations include the same assumptions denoted above under "Accounting for Pension Plan" and assumptions related to healthcare cost trend rates. Material changes in other post-employment benefits costs may occur in the future due to changes in these assumptions.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Required Communications, continued

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

The following is a description of significant issues arising from the audit that were with management:

- The Academy faces ongoing challenges as operating expenditures continue to outpace local revenues. To maintain operations, the School Districts will be required to increase their annual obligations to the Academy to offset rising costs of salaries, benefits, supplies, materials, and other expenses. Additionally, a facilities assessment conducted in 2022 revealed the need for substantial upgrades in electrical, plumbing, roofing, and interiors to ensure the facility remains suitable for students, staff, and educational purposes. The estimated costs for these necessary improvements exceed \$11,000,000. The operational budget lacks the capacity to fund major building repairs or improvements. Without additional financial support, the long-term financial state of the Academy is at risk.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Difficult or Contentious Matters That Required Consultation

We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities: AICPA Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and Government Accountability Office (GAO) independence rules. For Elliott Davis, LLC ("Elliott Davis") to fulfill its professional responsibility to maintain and monitor independence, management, the Board of Directors and Elliott Davis, LLC each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. Elliott Davis is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality management over compliance with independence rules and firm policies.

Required Communications, continued

Shared Responsibilities: AICPA Independence, continued

The Academy's Responsibilities

- Timely inform Elliott Davis, before the effective date of transactions or other business changes, of the following.:
 - New affiliates, directors, officers, or person in financial reporting and compliance oversight roles.
 - Changes in the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated investment structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Academy and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with Elliott Davis.
- Not entering into relationships resulting in close family members of Elliott Davis, Elliott Davis covered persons, temporarily or permanently acting as an officer, director, or person in an accounting or financial reporting oversight role at the Academy.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the Academy, including the representation letter provided to us by management, are attached as Exhibit A.

Exhibit A

**Significant Written Communications
Between Management and Our Firm**



ACE

**Beaufort-Jasper Academy
for Career Excellence**

November 21, 2023

80 Lowcountry Drive
Ridgeland, SC 29936
843-987-8107

**Dr. Michael Lovecchio, Director
Ms. Adrienne Jones, Asst. Director**

Elliott Davis, LLC
100 Calhoun Street Suite 300
Charleston, SC 29401

This representation letter is provided in connection with your audit of the basic financial statements of Beaufort-Jasper Academy for Career Excellence (the "Academy") as of and for the year ended June 30, 2023, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

We confirm, to the best of our knowledge and belief, that as of the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated June 6, 2023, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.
2. We acknowledge our responsibility 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.
3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
4. The methods, data, and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.
5. Related-party transactions and interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
6. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.
7. The financial statements include all fiduciary activities required by GASB Statement No. 84, *Fiduciary Activities*, as amended.

8. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.
9. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
10. The following have been properly recorded and/or disclosed in the financial statements:
 - a. Net positions and fund balance classifications.
 - b. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - c. All leases and material amounts of rental obligations under long-term leases.
 - d. All significant estimates and material concentrations known to management which are required to be disclosed.
11. There are no:
 - a. Material transactions that have not been properly recorded in the accounting records underlying the financial statements.
 - b. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency. In that regard, we specifically represent that we have not been designated as, or alleged to be, a "potentially responsible party" by the Environmental Protection Agency in connection with any environmental contamination.
 - c. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by the Contingencies Topic of the FASB Accounting Standards Codification.
 - d. Guarantees, whether written or oral, under which the Academy is contingently liable.
 - e. Arrangements with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances.
 - f. Line of credit or similar arrangements.
 - g. Agreements to repurchase assets previously sold.
 - h. Security agreements in effect under the Uniform Commercial Code.
 - i. Liens or encumbrances on assets or revenues or any assets or revenues which were pledged as collateral for any liability or which were subordinated in any way.
 - j. Liabilities which are subordinated in any way to any other actual or possible liabilities.
 - k. Debt issue repurchase options or agreements, or sinking fund debt repurchase ordinance requirements.
 - l. Debt issue provisions.
 - m. Authorized but unissued bonds and/or notes.

- n. Derivative financial instruments.
 - o. Special or extraordinary items.
 - p. Deposits and investment securities categories of risk.
 - q. Impairment of capital assets.
 - r. Environmental clean-up obligations.
 - s. Amounts of contractual obligations for construction and purchase of real property or equipment not included in the liabilities recorded on the books.
12. The Academy has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 13. Components of net position and classifications of fund balances are properly classified and, when applicable, approved.
 14. Expenses or expenditures have been appropriately classified in or allocated to functions and programs in the Statement of Activities, and allocations have been made on a reasonable basis.
 15. Revenues are appropriately classified in the statements of activities within program revenues and general revenues.
 16. Capital assets are properly capitalized, reported, and depreciated.
 17. We are not aware of any pending or threatened litigation, claims, or assessments that are required to be accrued or disclosed in the financial statements.
 18. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private, that is not disclosed in the financial statements.
 19. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are not subject to the requirements of the Single Audit Act because we have not received, expended or otherwise been the beneficiary of the required amount of federal awards during the period of this audit.
 20. We have no knowledge of any uncorrected misstatements in the financial statements.
 21. We have concluded reporting under GASB Statement No. 87, *Leases*, for FY 2023 did not have a material impact on the basic financial statements. There were no material lease contracts to report or disclose.
 22. Per the First Addendum to Amended and Restated Affiliation Agreement executed in August 2018, funding provided by Beaufort County School District ("BCSD") and Jasper County School District ("JCSO") shall continue through June 30, 2027. We have not been provided a written notice of termination by either BCSD or JCSO through the date of this letter.

23. We have reviewed the GASB Statements effective for the fiscal year ending June 30, 2023, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:

- a. GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

Information Provided

24. We have provided you with:

- a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
- b. Additional information that you have requested from us for the purpose of the audits;
- c. Unrestricted access to persons within the Academy from whom you determined it necessary to obtain audit evidence; and
- d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

25. All transactions have been recorded in the accounting records and are reflected in the financial statements.

26. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

27. We have no knowledge of allegations of fraud or suspected fraud affecting the Academy's financial statements involving:

- a. Management.
- b. Employees who have significant roles in internal control.
- c. Others where the fraud could have a material effect on the financial statements.

28. We have no knowledge of any allegations of fraud or suspected fraud affecting the Academy's financial statements received in communications from employees, former employees, analysts, regulators, or others.

29. We have no knowledge of noncompliance or suspected noncompliance with laws and regulations.

30. We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements, and we have not consulted legal counsel concerning litigation or claims.

31. We have disclosed to you the identity of the Academy's related parties and all the related-party relationships and transactions of which we are aware.
32. We are aware of no deficiencies in internal control over financial reporting, including significant deficiencies or material weaknesses, in the design or operation of internal controls that could adversely affect the Academy's ability to record, process, summarize and report financial data.
33. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
34. The Academy's ability to continue as a going concern was evaluated and appropriate disclosures are included within the financial statements as required by GASB statements. We believe the Academy will continue as a going concern through the 12-month period from the date the financial statements are available to be issued.
35. A facilities assessment conducted in 2022 revealed the need for substantial upgrades in electrical, plumbing, roofing, and interiors to ensure the facility remains suitable for students, staff, and educational purposes. The estimated costs for these necessary improvements exceed \$11,000,000. We represent no critical projects were noted to be completed within the next fiscal year and no timeline of prioritized projects has been provided by the architect at this time. All systems are currently operational.
36. We have made you aware, to the best of our knowledge and belief, of any non-audit services that the Academy has engaged Elliott Davis, LLC to perform.

Supplementary information

37. With respect to supplementary information presented in relation to the financial statements as a whole:
 - a. We acknowledge our responsibility for the presentation of such information.
 - b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.
 - c. The methods of measurement or presentation have not changed from those used in the prior period.
 - d. When supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
38. With respect to required supplementary information, such as Management's Discussion and Analysis and Budgetary Comparison Schedule – General Fund, presented as required by the Governmental Accounting Standards Board to supplement the basic financial statements:

- a. We acknowledge our responsibility for the presentation of such required supplementary information.
- b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.
- c. The methods of measurement or presentation have not changed from those used in the prior period.

Compliance Considerations

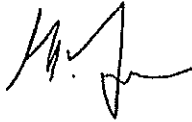
In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

39. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.
40. Is responsible for compliance with the laws, regulations and provisions of contracts and grant agreements applicable to the auditee.
41. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the financial statements.
42. Is responsible 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.
43. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
44. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.
45. Has a process to track the status of audit findings and recommendations.
46. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.
47. Is not aware of any investigations or legal proceedings that have been initiated with respect to the period under audit.
48. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill,

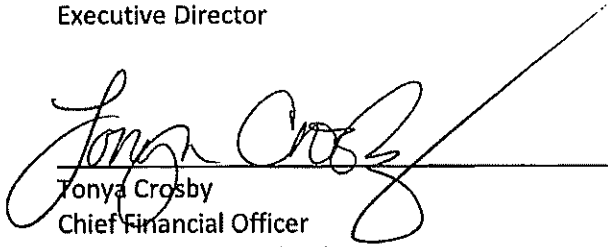
knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Beaufort-Jasper Academy for Career Excellence:



Dr. Mike Lovecchio
Executive Director



Tonya Crosby
Chief Financial Officer
Beaufort County School District