

LAKE WALES CHARTER SCHOOLS, INC.
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS THEREON
JUNE 30, 2021



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Lake Wales Charter Schools, Inc. (the "Company") presents management's discussion and analysis of the Company's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the Company's financial statements, which follow this section.

Lake Wales Charter Schools, Inc. operates a system of seven public charter schools in the Lake Wales, Florida area (Dale R. Fair Babson Park Elementary School, Edward W. Bok Academy South, Edward W. Bok Academy North, Hillcrest Elementary School, Janie Howard Wilson Elementary School, Lake Wales High School and Polk Avenue Elementary School). The Company provides certain management, administrative, food and transportation services to the charter schools through a Central Administrative Office. Effective July 1, 2011, the Company became its own local educational agency ("LEA").

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are presented on a consolidated basis primarily to satisfy the single audit requirements of the Uniform Guidance for the Company's federal programs.

FINANCIAL HIGHLIGHTS

- The Company's net position increased compared to the prior year.
- For the fiscal year ended June 30, 2021, the Company's revenues exceeded expenses by \$2,507,934. This represents an increase from the prior year when expenses exceeded revenues by \$1,606,742.
- Overall, revenues increased by approximately \$4,911,000, which represents a 12% increase from the prior year.
- Overall, expenses increased by approximately \$797,000, which represents a 2% increase from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Company's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Company, reporting the Company's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general services were financed in the short term, as well as what remains for future spending.
 - The *fiduciary fund* financial statement provides information about the financial relationships in which the Company acts solely as an agent for the benefit of others.

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

This document also includes the following information required by the Uniform Guidance: schedule of expenditures of federal awards and accompanying note, independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and the schedule of findings and questioned costs. In addition, it includes the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*.

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

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

Government-wide Financial Statements

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

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

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

- Governmental Activities – Most of the Company's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – In certain instances, the Company may charge fees to help it cover the costs of certain services it provides. The Company currently has no business-type activities.
- Component Units – There currently are no component units included within the reporting entity of the Company.

Fund Financial Statements

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

The Company currently has two types of funds:

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

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

FINANCIAL ANALYSIS OF THE COMPANY AS A WHOLE

Net Position

The Company's combined net position as of June 30, 2021 and 2020 is summarized as follows – see table below.

	Governmental Activities		Increase
	2021	2020	(Decrease)
Current and other assets	\$ 13,469,167	\$ 11,848,415	14%
Capital assets, net	13,109,716	10,315,772	27%
Deferred outflows of resources	8,927,225	7,057,401	26%
Total assets and deferred outflows	<u>35,506,108</u>	<u>29,221,588</u>	<u>22%</u>
Current and other liabilities	2,170,282	2,156,709	1%
Long-term liabilities	27,852,304	23,386,450	19%
Deferred inflows of resources	1,224,023	1,926,864	-36%
Total liabilities and deferred inflows	<u>31,246,609</u>	<u>27,470,023</u>	<u>14%</u>
Net position:			
Net investment in capital assets	9,561,740	6,769,240	41%
Restricted	4,073,547	4,472,180	-9%
Unrestricted	<u>(9,375,788)</u>	<u>(9,489,855)</u>	<u>1%</u>
Total net position	<u><u>\$ 4,259,499</u></u>	<u><u>\$ 1,751,565</u></u>	<u><u>143%</u></u>

The statement of net position provides the perspective of the Company and its charter schools. The Company ended its fiscal year with a net position of \$4,259,499 as of June 30, 2021. Net investment in capital assets, totaling \$9,561,740 compares the original cost, less depreciation of the Company's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints due to debt covenants and legislation that limit the Company's ability to use those assets for day-to-day operations. The (\$9,375,788) in unrestricted net position of governmental activities represents the accumulated results of prior years' operations and the amount of discretionary resources that can be used to fund the charter schools' general operations, which includes the implementation of GASB 68 in fiscal 2015. The Company has the cash flow available to meet all current obligations.

Current and other assets totaled \$13,469,167, most of which represents cash and cash equivalents. Since the Company maintains cash deposits on a pooled basis for all of its charter schools, the cash balance increased as a result of an overall operating surplus generated by the charter schools. Net capital assets increased due to capital asset additions exceeding current year depreciation. Deferred outflows of resources and deferred inflows of resources relate to the Company's participation in the state's pension plans.

The current and other liabilities balance reflects both accounts payable and payroll liability obligations, which increased slightly due to the timing of payments near year-end. Long-term liabilities include long-term debt obligations of the system, employee compensated absences and the net pension liability. See Note 7 for additional pension plan information. Additional information on the Company's long-term liabilities is presented in Note 6 to the financial statements.

Change in Net Position

The Company's total revenues increased by 12% to \$46,151,675, and the total cost of all programs and services increased by 2% to \$43,643,741 – see table below.

	Governmental Activities		Increase
	2021	2020	(Decrease)
Revenues:			
Federal sources	\$ 7,767,909	\$ 5,706,119	36%
State and local sources	36,929,870	33,916,166	9%
Contributions and other revenue	1,453,896	1,617,974	-10%
Total revenues	<u>46,151,675</u>	<u>41,240,259</u>	<u>12%</u>
Expenses:			
Instruction	25,911,984	24,711,447	5%
Student support services	1,239,298	1,318,992	-6%
Instructional media	182,047	256,329	-29%
Instruction and curriculum development	1,454,869	1,385,114	5%
Instructional staff training	138,832	332,197	-58%
Instruction-related technology	347,689	408,611	-15%
Board	111,004	573,608	-81%
General administration	668,016	619,204	8%
School administration	3,554,028	3,434,467	3%
Facilities acquisition and construction	467,062	509,854	-8%
Fiscal services	433,470	395,333	10%
Food services	2,831,300	2,861,064	-1%
Central services	189,878	176,373	8%
Pupil transportation	2,050,817	2,231,370	-8%
Operation of plant	3,388,555	2,894,704	17%
Maintenance of plant	97,645	79,299	23%
Administrative technology services	67,522	69,078	-2%
Community services	416,265	495,376	-16%
Interest	93,460	94,581	-1%
Total expenses	<u>43,643,741</u>	<u>42,847,001</u>	<u>2%</u>
Change in net position	<u>\$ 2,507,934</u>	<u>\$ (1,606,742)</u>	<u>256%</u>

The majority of the Company's revenue is provided through the state's FEFP, state categorical educational programs and local property taxes (80% of the Company's total governmental revenues) to fund current operations. Revenues from state and local sources increased due to an increase in student enrollment along with an increase in the FEFP per pupil allocation. The Company received approximately 17% of its total revenues from federal sources – a combination of federal entitlement revenues, National School Breakfast and Lunch Program, Education Stabilization Funds and E-rate funding in fiscal 2021. The increase in the National School Breakfast and Lunch Program and Education Stabilization Funds accounts for the majority of the increase in revenues from federal sources. The remaining portion of the Company's revenue (3%) is the result of contributions and program revenue, which decreased due to a decrease in donations from the Lake Wales Charter Schools Foundation, offset by an increase in pre-kindergarten and after-school program fees. The increase in pre-kindergarten and after-school program fees was primarily the result of the re-opening of school facilities and return to in-person learning after the coronavirus outbreak.

Instruction and instruction-related activities represent 67% of the Company's expenses, which increased approximately 3% during fiscal 2021, a result of increased expenditures for educational services to students. The remaining cost portion of government-wide activity representing the board, general and administrative support services, facilities acquisition and construction, finance, food services, central services, transportation, operation and maintenance of plant, administrative technology services, community services and interest expense accounted for 33% of the total expenses. These administrative and business support functions decreased 1% compared to last year. Overall, total governmental revenues exceeded total expenses during 2021, causing a net position increase of \$2,507,934 as a result of ongoing operations.

FINANCIAL ANALYSIS OF THE COMPANY'S FUNDS

As the Company completed the year, its governmental funds reported a combined fund balance of \$11,052,607, which is an increase from the prior year. Both revenues and expenditures changed overall for the same reasons described above.

General and Special Revenue Fund Budgetary Highlights

Over the course of the fiscal year, the Company amended its budget to address changes in revenues and expenditures. The general fund budget amendments were performed primarily to reflect revised student enrollment and to adjust planned expenditures based on actual resource needs. The special revenue fund budget amendments were performed to adjust the budget allocations to reflect the final approved federal awards from the state.

For the year ended June 30, 2021, actual general fund revenues were approximately \$1,802,000 above the budgeted amounts, which represents a 5% budget variance. This variance is primarily due to changes in the calculation of the FEFP in accordance with DOE ORDER NO. 2020-E0-06. The full FEFP funding from state revenue was disbursed on the full-time equivalent (FTE) student membership forecast for the 2020 fall semester instead of the actual student counts. As a conservative practice, the Company annually budgets its student growth in FTE lower than the projected FTE reported to the Florida Department of Education. This practice allows for unexpected decreases in student growth. Actual general fund expenditures were approximately \$1,592,000 below budgeted amounts, which represents a 4% budget variance. This variance is the result of major changes in the school administration cost along with lower instruction cost due to teacher turnover from the impact of COVID-19.

For the year ended June 30, 2021, actual special revenue fund revenues were approximately \$520,000 above the budgeted amounts, which represents a 7% budget variance. This variance is a result of higher than anticipated spending from the entitlement programs. Actual special revenue fund expenditures were approximately \$104,000 below budgeted amounts, which represents a 1% budget variance, primarily due to budgeted capital outlay expenditures for the Edward W. Bok Academy North cafeteria not being executed during the fiscal period.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2021, the Company had invested \$13,109,716 in capital assets (net of accumulated depreciation). See table below:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2021</u>	<u>2020</u>	<u>(Decrease)</u>
Land	\$ 769,882	\$ 769,882	0%
Construction in progress	2,754,677	-	100%
Improvements other than buildings	2,045,423	1,735,203	18%
Buildings	9,580,704	9,580,704	0%
Furniture, fixtures and equipment	6,065,883	5,093,608	19%
Motor vehicles	791,612	775,103	2%
Computer software	522,893	352,094	49%
Less accumulated depreciation	<u>(9,421,358)</u>	<u>(7,990,822)</u>	<u>-18%</u>
Total capital assets, net	<u>\$ 13,109,716</u>	<u>\$ 10,315,772</u>	<u>27%</u>

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

- Edward W. Bok Academy North building construction - \$2,554,677
- Computer equipment and software - \$618,348
- Dale R. Fair Babson Park Elementary building construction - \$200,000
- Landscaping and athletic field sod - \$75,720
- Air purification system - \$75,079
- Food service equipment - \$32,926
- Projectors and interactive boards - \$25,275

There were no major capital asset disposals during the current year. The Company's fiscal year 2022 capital budget does not include significant spending related to capital projects. More detailed information about the Company's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

As of June 30, 2021, the Company had \$3,547,976 in borrowings outstanding, as compared to \$3,546,532 in the prior year, consisting of notes payable and a capital lease obligation. The increase in long-term liabilities is primarily due to new capital lease obligations for Apple technology equipment, offset by payments made on the notes payable. More detailed information about the Company's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2022:

- Student enrollment and state educational funding per pupil
- Cost of goods and services
- Competitive employee compensation

Amounts available for appropriation in the general fund are \$36,778,712, a decrease of 2% from the actual 2021 amount of \$37,519,408. A predominate factor affecting the budget is the Schools' funded student membership. The funded membership for the fiscal year is 50 percent of the October 2021 and February 2022 student counts. The fiscal year 2022 budget incorporates more students from the official membership funded in 2021, primarily due to the addition of the 8th grade to Edward W. Bok Academy North. The budget is subject to adjustments during the mid-year budget revision to account for adjustments in the FEFP calculations. As the Company's major source of operating revenue, stability in the state's education resource allocation continues to be a challenge. Slight revenue increase projections in state per pupil funding, along with increases in the student membership will result in an increase in the Company's state and local operating revenue for 2022.

Budgeted general fund expenditures are expected to be \$36,760,523, an increase of 7% from the fiscal 2021 actual figure of \$34,337,734. The increased expenditure base includes resources allocated for salary increases, the rising cost of health care and other fixed recurring costs for Company operations. The Company is confident that it has staff and other resources in place to enhance academic achievement at all student-learning levels and effectively serve its anticipated student membership.

If these estimates are realized, the Company's budgetary general fund balance is expected to increase slightly by the close of fiscal 2022.

CONTACTING THE COMPANY'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the Company's finances and to demonstrate the Company's accountability for the money it receives. Should additional information be required, please contact the Company's administrative offices at 130 East Central Avenue, Lake Wales, Florida 33853.

INDEPENDENT AUDITOR’S REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

To the Board of Trustees of Lake Wales Charter Schools, Inc.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. (the “Company”) as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Company’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 8, the budgetary comparison information on pages 41 – 42 and the pension information on pages 43 – 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

BKHM, P.A.

Orlando, Florida
August 12, 2022

LAKE WALES CHARTER SCHOOLS, INC.

STATEMENT OF NET POSITION

JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 9,819,650
Restricted cash	2,014,712
Accounts receivable	1,243,797
Prepaid expenses and other current assets	391,008
Capital assets, net	13,109,716
Total assets	<u>26,578,883</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	8,927,225
Total assets and deferred outflows of resources	<u><u>\$ 35,506,108</u></u>
LIABILITIES	
Accounts payable and accrued expenses	\$ 2,154,762
Unearned revenue	15,520
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	979,420
Capital lease obligation	121,789
Notes payable	246,895
Portion due or payable after one year:	
Capital lease obligation	127,625
Notes payable	3,051,667
Net pension liability	23,324,908
Total liabilities	<u>30,022,586</u>
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	<u>1,224,023</u>
NET POSITION	
Net investment in capital assets	9,561,740
Restricted for:	
Food service	1,688,580
Start-up school capital improvements	370,255
Certificate of deposit serving as collateral for note payable	2,014,712
Unrestricted	<u>(9,375,788)</u>
Total net position	<u>4,259,499</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 35,506,108</u></u>

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

LAKE WALES CHARTER SCHOOLS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 25,911,984	\$ 477,278	\$ 2,199,746	\$ -	\$(23,234,960)	\$(23,234,960)
Student support services	1,239,298	-	250,942	-	(988,356)	(988,356)
Instructional media	182,047	-	-	-	(182,047)	(182,047)
Instruction and curriculum development	1,454,869	-	1,240,324	-	(214,545)	(214,545)
Instructional staff training	138,832	-	80,396	-	(58,436)	(58,436)
Instruction-related technology	347,689	-	-	-	(347,689)	(347,689)
Board	111,004	-	-	-	(111,004)	(111,004)
General administration	668,016	-	74,655	-	(593,361)	(593,361)
School administration	3,554,028	-	-	-	(3,554,028)	(3,554,028)
Facilities acquisition and construction	467,062	-	-	-	(467,062)	(467,062)
Fiscal services	433,470	-	-	-	(433,470)	(433,470)
Food services	2,831,300	94,029	2,633,897	-	(103,374)	(103,374)
Central services	189,878	-	-	-	(189,878)	(189,878)
Pupil transportation	2,050,817	692	59,038	-	(1,991,087)	(1,991,087)
Operation of plant	3,388,555	-	454,744	-	(2,933,811)	(2,933,811)
Maintenance of plant	97,645	-	47,195	-	(50,450)	(50,450)
Administrative technology services	67,522	-	-	-	(67,522)	(67,522)
Community services	416,265	129,947	-	-	(286,318)	(286,318)
Interest	93,460	-	-	-	(93,460)	(93,460)
Total primary government	<u>\$ 43,643,741</u>	<u>\$ 701,946</u>	<u>\$ 7,040,937</u>	<u>\$ -</u>	<u>(35,900,858)</u>	<u>(35,900,858)</u>
General revenues:						
Federal sources					726,972	726,972
State and local sources					36,929,870	36,929,870
Contributions and other revenue					751,950	751,950
Total general revenues					<u>38,408,792</u>	<u>38,408,792</u>
Change in net position					2,507,934	2,507,934
Net position at beginning of year					1,751,565	1,751,565
Net position at end of year					<u>\$ 4,259,499</u>	<u>\$ 4,259,499</u>

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

LAKE WALES CHARTER SCHOOLS, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 8,677,803	\$ 1,141,847	\$ -	\$ 9,819,650
Restricted cash	2,014,712	-	-	2,014,712
Accounts receivable	218,480	604,791	420,526	1,243,797
Due from capital projects fund	1,658,227	-	-	1,658,227
Due from general fund	-	167,883	-	167,883
Prepaid expenditures and other current assets	391,008	-	-	391,008
Total assets	<u>\$ 12,960,230</u>	<u>\$ 1,914,521</u>	<u>\$ 420,526</u>	<u>\$ 15,295,277</u>
LIABILITIES				
Accounts payable and accrued expenditures	\$ 1,922,749	\$ 210,421	\$ 21,592	\$ 2,154,762
Unearned revenue	-	15,520	-	15,520
Due to special revenue fund	167,883	-	-	167,883
Due to general fund	-	-	1,658,227	1,658,227
Total liabilities	<u>2,090,632</u>	<u>225,941</u>	<u>1,679,819</u>	<u>3,996,392</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue on long-term receivables	-	-	246,278	246,278
FUND BALANCES				
Nonspendable:				
Prepaid expenditures and other current assets	391,008	-	-	391,008
Restricted for:				
Food service	-	1,688,580	-	1,688,580
Start-up school capital improvements	-	-	370,255	370,255
Certificate of deposit serving as collateral for note payable	2,014,712	-	-	2,014,712
Unassigned	<u>8,463,878</u>	<u>-</u>	<u>(1,875,826)</u>	<u>6,588,052</u>
Total fund balances	<u>10,869,598</u>	<u>1,688,580</u>	<u>(1,505,571)</u>	<u>11,052,607</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 12,960,230</u>	<u>\$ 1,914,521</u>	<u>\$ 420,526</u>	<u>\$ 15,295,277</u>

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

LAKE WALES CHARTER SCHOOLS, INC.

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

JUNE 30, 2021

Total fund balances - total governmental funds \$ 11,052,607

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

Receivables not expected to be received within 60 days of fiscal year end are not considered "available" revenue in the governmental funds and, therefore, are reported as deferred inflows. In the Statement of Net Position, which is presented on the accrual basis, no deferral is reported since the revenue has already been fully recognized in the Statement of Activities. 246,278

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$22,531,074, and the accumulated depreciation is \$9,421,358. 13,109,716

Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (979,420)

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

Pension related deferred outflows of resources	8,927,225
Net pension liability	(23,324,908)
Pension related deferred inflows of resources	(1,224,023)

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

Capital lease obligation	(249,414)
Notes payable	(3,298,562)

Total net position - governmental activities \$ 4,259,499

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

LAKE WALES CHARTER SCHOOLS, INC.

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

FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal sources	\$ -	\$ 7,767,909	\$ -	\$ 7,767,909
State and local sources	36,301,447	-	628,423	36,929,870
Contributions and other revenue	1,217,961	94,125	152,663	1,464,749
Total revenues	<u>37,519,408</u>	<u>7,862,034</u>	<u>781,086</u>	<u>46,162,528</u>
EXPENDITURES				
Current:				
Instruction	21,616,582	2,199,746	-	23,816,328
Student support services	1,004,011	250,942	-	1,254,953
Instructional media	186,781	-	-	186,781
Instruction and curriculum development	204,794	1,240,324	-	1,445,118
Instructional staff training	60,328	80,396	-	140,724
Instruction-related technology	303,324	-	-	303,324
Board	111,004	-	-	111,004
General administration	592,049	134,357	-	726,406
School administration	3,141,174	-	-	3,141,174
Facilities acquisition and construction	-	-	2,879,946	2,879,946
Fiscal services	416,598	-	-	416,598
Food services	189,119	2,404,184	-	2,593,303
Central services	188,118	-	-	188,118
Pupil transportation	1,990,669	59,038	-	2,049,707
Operation of plant	2,849,434	454,744	-	3,304,178
Maintenance of plant	-	47,195	-	47,195
Administrative technology services	57,390	-	-	57,390
Community services	386,555	-	-	386,555
Debt service:				
Principal	180,097	-	198,365	378,462
Interest	9,825	-	83,635	93,460
Capital outlay	849,882	553,796	-	1,403,678
Total expenditures	<u>34,337,734</u>	<u>7,424,722</u>	<u>3,161,946</u>	<u>44,924,402</u>
Excess of revenues over expenditures	<u>3,181,674</u>	<u>437,312</u>	<u>(2,380,860)</u>	<u>1,238,126</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from capital lease	379,906	-	-	379,906
Operating transfer in	41,714	-	-	41,714
Operating transfer out	-	-	(41,714)	(41,714)
Total other financing sources (uses)	<u>421,620</u>	<u>-</u>	<u>(41,714)</u>	<u>379,906</u>
Net changes in fund balances	3,603,294	437,312	(2,422,574)	1,618,032
Fund balances at beginning of year	7,266,304	1,251,268	917,003	9,434,575
Fund balances at end of year	<u>\$ 10,869,598</u>	<u>\$ 1,688,580</u>	<u>\$ (1,505,571)</u>	<u>\$ 11,052,607</u>

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

LAKE WALES CHARTER SCHOOLS, INC.

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

FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances - total governmental funds \$ 1,618,032

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

Receivables not expected to be received within 60 days of fiscal year end are not considered "available" revenue in the governmental funds and, therefore, are reported as deferred inflows. In the Statement of Net Position, which is presented on the accrual basis, no deferral is reported since the revenue has already been fully recognized in the Statement of Activities. (10,853)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$4,233,980) exceed depreciation expense (\$1,440,036) in the current period. 2,793,944

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 229,235

Pension income or expense resulting from GASB 68 included in the statement of activities does not provide or require the use of current financial resources and, therefore, is not reported as a net change in fund balances in the governmental funds. (2,120,980)

Repayments of long-term liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in long-term liabilities in the statement of net position. This amount represents the current year repayment of principal on long-term debt and the capital lease obligation. 378,462

Proceeds from capital lease are reported as other financing sources in the governmental funds because they provide current financial resources. They are reported as an increase in long-term liabilities in the statement of net position. (379,906)

Change in net position of governmental activities \$ 2,507,934

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

LAKE WALES CHARTER SCHOOLS, INC.
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2021

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 349,841
Accounts receivable	2,207
Total assets	\$ 352,048
LIABILITIES	
Accounts payable and accrued expenses	\$ 17,540
Total liabilities	17,540
NET POSITION	
Restricted for:	
Student activities	334,508
Total liabilities and net position	\$ 352,048

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

LAKE WALES CHARTER SCHOOLS, INC.
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund
ADDITIONS	
Collections for student activities	\$ 918,006
Total additions	918,006
DEDUCTIONS	
Payments for student activities	918,450
Total deductions	918,450
Change in net position	(444)
Net position at beginning of year, as restated	334,952
Net position at end of year	\$ 334,508

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

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lake Wales Charter Schools, Inc. (the "Company") 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 Company operates a system of seven public charter schools in the Lake Wales, Florida area (Dale R. Fair Babson Park Elementary School, Edward W. Bok Academy South, Edward W. Bok Academy North, Hillcrest Elementary School, Janie Howard Wilson Elementary School, Lake Wales High School and Polk Avenue Elementary School) (collectively, the "Charter Schools"). The Company provides certain management and administrative services to the Charter Schools through a Central Administrative Office. The governing body of the Company is the not-for-profit corporation Board of Trustees, which is composed of no less than three and no more than nine members. Effective July 1, 2004, the Charter Schools (except Edward W. Bok Academy South and Edward W. Bok Academy North) converted from traditional public schools to public charter schools. Edward W. Bok Academy South ("Bok South") commenced formal operations on July 1, 2008. Edward W. Bok Academy North ("Bok North") commenced formal operations on July 1, 2018. Effective July 1, 2011, the Company became its own local educational agency ("LEA").

The general operating authority of the Charter Schools is contained in Section 1002.33, Florida Statutes. The Charter Schools operate under charters of the sponsoring school district, the District School Board of Polk County, Florida (the "School Board"). The current charters are effective until the following dates:

Edward W. Bok Academy North, Janie Howard Wilson Elementary School, Lake Wales High School and Polk Avenue Elementary School	June 30, 2023
Edward W. Bok Academy South	June 30, 2027
Dale R. Fair Babson Park Elementary School and Hillcrest Elementary School	June 30, 2028

The charters may be renewed by mutual written agreement between the Charter Schools and the School Board. At the end of the term of the charters, the School Board may choose not to renew the respective charters under grounds specified in the respective charter agreements. In this case, the School Board is required to notify the Charter Schools in writing at least 90 days prior to the charters' expiration. During the term of the charters, the School Board may also terminate the charters if good cause is shown. In the event of termination of the charters, any property purchased by the Charter Schools with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The Charter Schools are considered component units of the School Board and meet the definition of governmental entities under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the Charter Schools are required to follow generally accepted accounting principles applicable to state and local governmental units. The Company has also elected this same form of financial reporting. The Company is not considered a component unit of the School Board since it became its own LEA.

Criteria for determining if other entities are potential component units of the Company which should be reported with the Company's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*. The application of these criteria provides for identification of any entities for which the Company is financially accountable and other organizations for which the nature and significance of their relationship with the Company are such that exclusion would cause the Company's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Company.

Basis of Presentation

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

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

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

- Governmental Activities – Most of the Company's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.
- Business-type Activities – In certain instances, the Company may charge fees to help it cover the costs of certain services it provides. The Company currently has no business-type activities.
- Component Units – There currently are no component units included within the reporting entity of the Company.

The fund financial statements provide more detailed information about the Company's most significant funds, not the Company as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – To account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – To account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes and to provide a single source of accountability for all funds received.
- Capital Projects Fund – To account for all resources for the acquisition of capital items purchased with capital outlay and state capital appropriation funds, private foundation funds for building construction and insurance proceeds from hurricane damage.

For purposes of these statements, the general, special revenue and capital projects funds constitute major funds. There are no other governmental funds.

Fiduciary Fund:

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

Basis of Accounting

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

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

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Company considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Budgetary Basis Accounting

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

Deposits and Investments

During the year ended June 30, 2021, the Company maintained cash deposits on a pooled basis for all of the Charter Schools. Cash deposits are generally held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The Company's cash consists primarily of demand deposits with financial institutions.

The Company's restricted cash consists of a certificate of deposit with a financial institution, which serves as collateral for the mortgage note payable described in Note 6. This certificate of deposit is held by a qualified public depository, insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Accounts Receivable

Accounts receivable consist of amounts due from governmental agencies for various programs and from a private foundation. Allowances are reported when management estimates that accounts may be uncollectible.

Capital Assets and Depreciation

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

	<u>Years</u>
Improvements other than buildings	5 - 20
Buildings	30
Furniture, fixtures and equipment	3 - 7
Motor vehicles	3 - 7
Computer software	3

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

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Compensated Absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as expenses when earned by the employees. The liability for compensated absences is classified as a long-term liability that is due within one year in the government-wide financial statements because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated. Information relative to changes in long-term liabilities is described in Note 6.

Long-term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term debt is described in Note 6.

Fund Balance Spending Policy

The Company's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. The Board of Trustees reviews the amounts in the fund balances in conjunction with the annual budget approval and makes adjustments as necessary to meet expected cash flow needs. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Trustees. The Board of Trustees has delegated authority to assign funds to the Superintendent and Chief Financial Officer of the Company.

The Charter Schools are individually required by the School Board to maintain an unassigned general fund balance equal to at least 3% of general fund revenues. The Company has an internal fund balance policy to maintain an unassigned general fund balance equal to not less than 10% of budgeted general fund revenues as of June 30th of each year for the Charter Schools as a whole. In addition, the Company's internal fund balance policy requires that each charter school maintain an unassigned general fund balance equal to a minimum of 5% of budgeted general fund revenues - 3% to meet the School Board's requirement and 2% to provide for sufficient cash flow for fiscal stability. There are no minimum fund balance requirements for any of the Company's other funds.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Revenue Sources

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

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the Charter Schools is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the Charter Schools during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the Charter Schools, which is reflected as a general administration expense/expenditure in the accompanying financial statements. This administrative fee is calculated on the FEFP revenue up to 500 students within the system.

The Company receives federal awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

Bok South and Bok North are eligible for charter school capital outlay funding. The amounts received under this program are based on actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying statement of net position and balance sheet – governmental funds.

Income Taxes

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

Use of Estimates

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

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

Subsequent Events

The Company has evaluated subsequent events through August 12, 2022, the date these financial statements were available to be issued.

Recently Adopted Accounting Pronouncement

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*, which improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. During 2021, the Company adopted this standard using the retrospective approach, which resulted in the previously reported Due to Student Groups fiduciary liability being reclassified to beginning fiduciary net position.

Recently Issued Accounting Pronouncement

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about an organization's leasing activities. The new standard is effective for the fiscal year ending June 30, 2022. The cumulative effect of any changes adopted to conform to the provisions of this guidance would be reported as a restatement of beginning net position and fund balance. The Company is currently evaluating the effect that implementation of the new standard will have on its financial statements.

2 INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances as of June 30, 2021:

	Interfund Receivables	Interfund Payables
General fund	\$ 1,658,227	\$ 167,883
Special revenue fund	167,883	-
Capital projects fund	-	1,658,227
Total interfund	<u>\$ 1,826,110</u>	<u>\$ 1,826,110</u>

The amounts payable are to cover temporary cash shortages related to the timing of receipts.

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

3 ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying financial statements include \$1,243,797 in funds receivable from the Lake Wales Charter Schools Foundation and from federal and state agencies under various grants, as follows:

Lake Wales Charter Schools Foundation	\$ 268,262
E-Rate Program	228,550
Title I Grants to Local Educational Agencies	189,076
Education Stabilization Funds	132,320
Special Education - Grants to States (IDEA, Part B)	110,962
National School Lunch Program	67,879
Charter School Capital Outlay	61,585
Polk County School Board	59,809
Supporting Effective Instruction State Grant	35,745
School Improvement Grant	20,800
Student Support and Academic Enrichment Program	13,312
Education for Homeless Children and Youth	12,701
Career and Technical Education - Basic Grants to States (Perkins IV)	12,001
Reserve Officer Training Corps (ROTC)	6,335
Migrant Education State Grant Program	5,498
English Language Acquisition State Grant	4,702
Other	<u>14,260</u>
Total	<u>\$ 1,243,797</u>

Based on collectibility of funds from these sources, the Company believes that an allowance for doubtful accounts is not considered necessary.

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 CHANGES IN CAPITAL ASSETS

Capital asset activity during 2021 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 769,882	\$ -	\$ -	\$ 769,882
Construction in progress	-	2,754,677	-	2,754,677
Total capital assets not being depreciated	<u>769,882</u>	<u>2,754,677</u>	<u>-</u>	<u>3,524,559</u>
Capital assets being depreciated:				
Improvements other than buildings	1,735,203	310,220	-	2,045,423
Buildings	9,580,704	-	-	9,580,704
Furniture, fixtures and equipment	5,093,608	981,775	(9,500)	6,065,883
Motor vehicles	775,103	16,509	-	791,612
Computer software	352,094	170,799	-	522,893
Total capital assets being depreciated	<u>17,536,712</u>	<u>1,479,303</u>	<u>(9,500)</u>	<u>19,006,515</u>
Less accumulated depreciation for:				
Improvements other than buildings	(841,388)	(271,944)	-	(1,113,332)
Buildings	(1,561,660)	(490,455)	-	(2,052,115)
Furniture, fixtures and equipment	(4,726,578)	(243,169)	9,500	(4,960,247)
Motor vehicles	(722,780)	(51,689)	-	(774,469)
Computer software	(138,416)	(382,779)	-	(521,195)
Total accumulated depreciation	<u>(7,990,822)</u>	<u>(1,440,036)</u>	<u>9,500</u>	<u>(9,421,358)</u>
Capital assets being depreciated, net	<u>9,545,890</u>	<u>39,267</u>	<u>-</u>	<u>9,585,157</u>
Governmental activities capital assets, net	<u>\$ 10,315,772</u>	<u>\$ 2,793,944</u>	<u>\$ -</u>	<u>\$ 13,109,716</u>

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 536,724
Student support services	814
Instructional media	569
Instruction and curriculum development	4,321
Instruction-related technology	44,365
School administration	15,618
Facilities acquisition and construction	414,638
Food services	234,944
Pupil transportation	5,787
Operation of plant	92,333
Maintenance of plant	53,230
Administrative technology services	6,983
Community services	<u>29,710</u>
Total governmental activities depreciation expense	<u>\$ 1,440,036</u>

5 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The Company participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Company has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2021 may be impaired. In the opinion of the Company, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

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

Risk Management Program

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

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

Operating Leases

The Company leases several buses under non-cancelable operating leases. The leases require the Company to pay insurance and other costs. The bus leases expire in August 2023.

The Company also leases certain other equipment from unrelated parties under non-cancelable operating leases. These leases expire between July 2021 and April 2024.

Aggregate remaining minimum rental commitments as of June 30, 2021 under these leases are summarized as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2022	\$ 366,984
2023	181,044
2024	<u>15,087</u>
Total	<u>\$ 563,115</u>

Lease payments were approximately \$474,000 for the year ended June 30, 2021. Of this amount, approximately \$35,000 is included in school administration and \$439,000 is included in pupil transportation in the accompanying financial statements.

Uncertainty

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

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

6 LONG-TERM LIABILITIES

Long-term liabilities activity during fiscal year 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,208,655	\$ -	\$ (229,235)	\$ 979,420	\$ 979,420
Capital lease obligation	-	379,906	(130,492)	249,414	121,789
Notes payable	3,546,532	-	(247,970)	3,298,562	246,895
Net pension liability	18,631,263	4,693,645	-	23,324,908	-
Governmental activities, long-term liabilities	<u>\$ 23,386,450</u>	<u>\$ 5,073,551</u>	<u>\$ (607,697)</u>	<u>\$ 27,852,304</u>	<u>\$ 1,348,104</u>

Capital Lease Obligation

The Company leases computer equipment under a lease agreement that is classified as a capital lease. The capital lease requires annual payments of principal and interest at 3.44%. The economic substance of the lease is that the Company is financing the acquisition of the assets through the lease, and, accordingly, they are recorded in the Company's statement of net position.

Leased assets as of June 30, 2021 consist of the following:

	Governmental Activities
Furniture, fixtures and equipment	\$ 379,906
Less accumulated depreciation	(104,864)
	<u>\$ 275,042</u>

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

Year Ended June 30,	Principal	Interest	Total
2022	\$ 121,789	\$ 8,703	\$ 130,492
2023	127,625	2,867	130,492
	<u>\$ 249,414</u>	<u>\$ 11,570</u>	<u>\$ 260,984</u>

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

Notes Payable

Notes payable consist of the following as of June 30, 2021:

Mortgage note payable to a financial institution; principal and interest of \$23,500 due monthly at 2.95%; interest rate will be adjusted in 2024 and 2029 to the FHLB 7 year Principal Reducing Credit (“PRC”) rate plus 1.13%; maturity date of April 2033; secured by a first mortgage on the Edward W. Bok Academy South school facility; all furniture, fixtures and equipment of the Company and the Charter Schools; and a \$2,000,000 certificate of deposit.	\$ 2,770,682
Mortgage note payable to a financial institution; principal and interest of \$2,557 due monthly at 3.82% with a balloon payment due at maturity; maturity date of March 2025; secured by a first mortgage on the central administration building and related furniture, fixtures and equipment.	106,500
Mortgage note payable to the City of Lake Wales; annual payments of \$28,750; maturity date of November 2039; secured by a first mortgage on the Edward W. Bok Academy North land and building; the note carries a 0% interest rate and is presented net of an imputed interest discount of 2.75%.	<u>421,380</u>
Total long-term debt	3,298,562
Less amount due or payable within one year	<u>(246,895)</u>
Amount due or payable after one year	<u><u>\$ 3,051,667</u></u>

In connection with the \$2,770,682 mortgage note payable described above, in January 2014, the Company entered into a Memorandum of Agreement with the City of Lake Wales, Florida (the “Issuer”). Under the agreement, the Issuer declared its intention to issue and sell its City of Lake Wales – Industrial Development Revenue Bonds, Series 2014 (the “Bonds”) for the purpose of refinancing the outstanding portion of the mortgage loan dated June 24, 2008 related to the Edward W. Bok Academy South school facility and to pay for costs associated with the issuance of the Bonds. The Bonds were privately placed with Citizens Bank & Trust (the “Lender”) and do not constitute a debt, liability or obligation of the Issuer, Polk County, Florida or of the State of Florida or of any other political subdivision. The Company agreed to pay all fees and expenses of the Issuer and the Lender in connection with the issuance and sale of the Bonds.

The loan agreement for the \$2,770,682 mortgage note payable described above contains certain covenants with which the Company must comply. As of June 30, 2021, the Company was in compliance with all restrictive covenants.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 246,895	\$ 94,535	\$ 341,430
2023	254,482	86,948	341,430
2024	262,302	79,128	341,430
2025	261,996	71,103	333,099
2026	247,116	63,634	310,750
2027 - 2031	1,350,188	203,562	1,553,750
2032 - 2036	567,613	36,872	604,485
2037 - 2041	107,970	7,030	115,000
Total	<u>\$ 3,298,562</u>	<u>\$ 642,812</u>	<u>\$ 3,941,374</u>

7 PENSION PLANS

Pension Plan Descriptions

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

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

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The Retiree Health Insurance Subsidy (“HIS”) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

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

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

Contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	10%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.06% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.

(B) Contribution rates are dependent upon the retirement class in which reemployed.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

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

Assumptions and Other Inputs

The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The Division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table.

The following changes in actuarial assumptions occurred in 2020:

- FRS: The long-term expected rate of return was decreased from 6.90% to 6.80%.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 3.50% to 2.21%, and the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the PUB-2010 base table, projected generationally with Scale MP-2018.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2020:

School's Proportionate Share of FRS Net Pension Liability			School's Proportionate Share of HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
5.80%	6.80%	7.80%	1.21%	2.21%	3.21%
\$22,553,492	\$16,212,548	\$ 5,285,216	\$ 7,503,129	\$ 7,112,360	\$ 5,785,901

The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued CAFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2020, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 204,909,739	\$ 12,588,098
Plan fiduciary net position	(161,568,265)	(378,261)
Net pension liability	<u>\$ 43,341,474</u>	<u>\$ 12,209,837</u>
Plan fiduciary net position as a percentage of the total pension liability	78.85%	3.00%

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's GASB 67 valuation dated June 30, 2020. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The total pension liability for the HIS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2020. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

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

As of June 30, 2021, the Company reported a liability of \$23,324,908 for its proportionate share of the net pension liabilities. The Company's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ended June 30, 2013 through June 30, 2020 for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the Company's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

The Company's proportions are as follows:

	<u>FRS</u>	<u>HIS</u>
June 30, 2020	0.0374%	0.0583%
June 30, 2019	0.0360%	0.0556%
Change	<u>0.0014%</u>	<u>0.0027%</u>

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

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

Employer contributions to the pension plans from the Company are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2020, was 5.9 years for FRS and 7.2 years for HIS.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

For the year ended June 30, 2021, the Company recognized pension expense of \$4,287,845. As of June 30, 2021, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 911,425	\$ 5,486
Changes of assumptions	3,699,768	413,555
Net difference between projected and actual earnings on pension plan investments	970,990	-
Changes in proportion and differences between School contributions and proportionate share of contributions	1,368,009	804,982
School contributions subsequent to the measurement date	1,977,033	-
Total	\$ 8,927,225	\$ 1,224,023

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

Reporting Period Ended June 30:	Amount
2022	\$ 1,246,578
2023	1,728,913
2024	1,358,081
2025	902,946
2026	344,436
Thereafter	144,915

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

8 RESTRICTED NET POSITION AND FUND BALANCE

Restricted net position and fund balance represents amounts that have been collected or are receivable by the Company for specific purposes, which are restricted as to the use of such funds. Included in the restricted fund balance is \$370,255 in the capital projects fund as of June 30, 2021 which represents the unspent portion of the fiscal 2018 state capital appropriation, which must be used for start-up school capital improvements.

9 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

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

District School Board of Polk County, Florida:	
Florida Education Finance Program	\$ 21,594,729
Class size reduction	5,118,660
Discretionary millage funds	1,471,284
Discretionary local effort	1,461,921
Supplemental academic instruction	1,276,708
ESE guaranteed allocation	1,132,080
Additional allocation	1,039,575
Transportation	794,596
Teacher salary increase allocation	728,638
Capital outlay	628,423
Instructional materials	377,450
Safe schools	270,665
Advanced placement bonus	233,707
Funds compression allocation	214,099
Reading allocation	202,718
Mental health assistance allocation	171,562
Teacher lead pay	80,441
Career and professional education bonus	58,162
VPK grant	42,000
Dual enrollment	14,897
Other state revenue	11,599
Digital classroom allocation	5,956
	<u>5,956</u>
Total	<u>\$ 36,929,870</u>

The administration fee paid to the School Board during the year ended June 30, 2021 totaled approximately \$167,000 which is included in general administration expense/expenditure in the accompanying financial statements.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

10 CAMPUS FACILITIES

Title to the school buildings and facilities and other capital assets acquired prior to July 1, 2004 remains with the School Board. Florida Statutes provide that the use of school buildings and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district school board to the charter school or to the parents and teachers who organize the charter school.

In management's opinion, the value of facilities utilized by the Charter Schools is significant; therefore, any substantial changes in Florida Statutes related to facilities used by conversion charter schools could have a material effect on the Company's operations.

LAKE WALES CHARTER SCHOOLS, INC.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 35,245,081	\$ 33,993,988	\$ 36,301,447	\$ 2,307,459
Contributions and other revenue	1,849,462	1,722,922	1,217,961	(504,961)
Total revenues	<u>37,094,543</u>	<u>35,716,910</u>	<u>37,519,408</u>	<u>1,802,498</u>
EXPENDITURES				
Current:				
Instruction	21,870,682	21,941,369	21,616,582	324,787
Student support services	851,527	888,230	1,004,011	(115,781)
Instructional media	183,824	201,980	186,781	15,199
Instruction and curriculum development	229,878	197,241	204,794	(7,553)
Instructional staff training	137,749	80,642	60,328	20,314
Instruction-related technology	352,060	330,748	303,324	27,424
Board	116,650	151,650	111,004	40,646
General administration	398,072	418,944	592,049	(173,105)
School administration	6,115,868	4,229,736	3,141,174	1,088,562
Facilities acquisition and construction	10,000	12,412	-	12,412
Fiscal services	590,908	620,628	416,598	204,030
Food services	-	-	189,119	(189,119)
Central services	67,317	198,260	188,118	10,142
Pupil transportation	2,347,624	2,129,441	1,990,669	138,772
Operation of plant	2,757,029	2,834,576	2,849,434	(14,858)
Maintenance of plant	5,500	500	-	500
Administrative technology services	59,393	59,307	57,390	1,917
Community services	616,608	405,787	386,555	19,232
Debt service:				
Principal	30,680	30,680	180,097	(149,417)
Interest	-	-	9,825	(9,825)
Capital outlay	448,223	1,197,318	849,882	347,436
Total expenditures	<u>37,189,592</u>	<u>35,929,449</u>	<u>34,337,734</u>	<u>1,591,715</u>
Deficiency of revenues under expenditures	<u>(95,049)</u>	<u>(212,539)</u>	<u>3,181,674</u>	<u>3,394,213</u>
OTHER FINANCING SOURCES				
Proceeds from capital lease	-	-	379,906	379,906
Operating transfer in	-	-	41,714	41,714
Total other financing sources	<u>-</u>	<u>-</u>	<u>421,620</u>	<u>421,620</u>
Net changes in fund balance	(95,049)	(212,539)	3,603,294	3,815,833
Fund balance at beginning of year	7,266,304	7,266,304	7,266,304	-
Fund balance at end of year	<u>\$ 7,171,255</u>	<u>\$ 7,053,765</u>	<u>\$ 10,869,598</u>	<u>\$ 3,815,833</u>

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 6,777,090	\$ 7,256,741	\$ 7,767,909	\$ 511,168
State and local sources	395,000	85,000	-	(85,000)
Contributions and other revenue	-	-	94,125	94,125
Total revenues	<u>7,172,090</u>	<u>7,341,741</u>	<u>7,862,034</u>	<u>520,293</u>
EXPENDITURES				
Current:				
Instruction	2,776,502	3,420,162	2,199,746	1,220,416
Student support services	117,933	97,141	250,942	(153,801)
Instruction and curriculum development	424,970	406,262	1,240,324	(834,062)
Instructional staff training	142,526	137,323	80,396	56,927
Instruction-related technology	-	4,740	-	4,740
General administration	86,314	96,767	134,357	(37,590)
Food services	3,224,396	2,754,896	2,404,184	350,712
Central services	15,000	15,000	-	15,000
Pupil transportation	21,500	23,500	59,038	(35,538)
Operation of plant	440,204	508,374	454,744	53,630
Maintenance of plant	150,000	65,000	47,195	17,805
Capital outlay	-	-	553,796	(553,796)
Total expenditures	<u>7,399,345</u>	<u>7,529,165</u>	<u>7,424,722</u>	<u>104,443</u>
Net changes in fund balance	(227,255)	(187,424)	437,312	624,736
Fund balance at beginning of year	1,251,268	1,251,268	1,251,268	-
Fund balance at end of year	<u>\$ 1,024,013</u>	<u>\$ 1,063,844</u>	<u>\$ 1,688,580</u>	<u>\$ 624,736</u>

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.
REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Florida Retirement System (FRS) Pension Plan										
Company's proportion of the net pension liability (asset)	0.0374%	0.0360%	0.0349%	0.0355%	0.0369%	0.0384%	0.0381%			
Company's proportionate share of the net pension liability (asset)	\$ 16,212,548	\$ 12,409,258	\$ 10,526,445	\$ 10,498,024	\$ 9,315,030	\$ 4,961,155	\$ 2,323,370			
Company's covered-employee payroll	\$ 20,234,992	\$ 18,618,144	\$ 17,588,272	\$ 17,568,119	\$ 17,563,729	\$ 16,873,854	\$ 16,265,928			
Company's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	80%	67%	60%	60%	53%	29%	14%			
Plan fiduciary net position as a percentage of the total pension liability (asset)	79%	83%	84%	84%	85%	92%	96%			
Retiree Health Insurance Subsidy (HIS) Program										
Company's proportion of the net pension liability (asset)	0.0583%	0.0556%	0.0538%	0.0550%	0.0565%	0.0548%	0.0548%			
Company's proportionate share of the net pension liability (asset)	\$ 7,112,360	\$ 6,222,005	\$ 5,689,001	\$ 5,876,383	\$ 6,579,392	\$ 5,585,800	\$ 5,123,442			
Company's covered-employee payroll	\$ 20,234,992	\$ 18,618,144	\$ 17,588,272	\$ 17,568,119	\$ 17,563,729	\$ 16,873,854	\$ 16,265,928			
Company's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	35%	33%	32%	33%	37%	33%	31%			
Plan fiduciary net position as a percentage of the total pension liability (asset)	3%	3%	2%	2%	1%	1%	1%			

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

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
LAST 10 FISCAL YEARS ENDING JUNE 30

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 1,622,885	\$ 1,242,855	\$ 1,117,283	\$ 995,984	\$ 923,921	\$ 899,649	\$ 936,467	\$ 834,089		
Contributions in relation to the contractually required contribution	1,622,885	1,242,855	1,117,283	995,984	923,921	899,649	936,467	834,089		
Contribution deficiency (excess)	<u>\$ -</u>									
 Company's covered-employee payroll	 \$ 21,343,006	 \$ 20,234,992	 \$ 18,618,144	 \$ 17,588,272	 \$ 17,568,119	 \$ 17,563,729	 \$ 16,873,854	 \$ 16,265,928		
Contributions as a percentage of covered-employee payroll	8%	6%	6%	6%	5%	5%	6%	5%		
 Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 354,148	\$ 335,674	\$ 308,787	\$ 291,490	\$ 290,856	\$ 289,358	\$ 209,370	\$ 187,707		
Contributions in relation to the contractually required contribution	354,148	335,674	308,787	291,490	290,856	289,358	209,370	187,707		
Contribution deficiency (excess)	<u>\$ -</u>									
 Company's covered-employee payroll	 \$ 21,343,006	 \$ 20,234,992	 \$ 18,618,144	 \$ 17,588,272	 \$ 17,568,119	 \$ 17,563,729	 \$ 16,873,854	 \$ 16,265,928		
Contributions as a percentage of covered-employee payroll	2%	2%	2%	2%	2%	2%	1%	1%		

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

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / School Breakfast Program	10.553	7/1/2020 - 6/30/2021	\$ 48,323
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program	10.555	7/1/2020 - 6/30/2021	144,270
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program (Emergency Operational Costs Reimbursement Program)	10.555	3/1/2020 - 9/30/2021	* 280,800
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / Summer Food Service Program for Children Total Child Nutrition Cluster	10.559	7/1/2020 - 6/30/2021	* <u>2,510,012</u> <u>2,983,405</u>
United States Department of Agriculture / Emergency Food Assistance Program (Food Commodities) Total Food Distribution Cluster	10.569	7/1/2020 - 6/30/2021	<u>204,289</u> <u>204,289</u>
United States Department of Education / Florida Department of Education / Title I Grants to Local Educational Agencies	84.010	7/1/2020 - 6/30/2021	1,449,958
United States Department of Education / Florida Department of Education / Title I Grants to Local Educational Agencies (School Improvement Grant)	84.010	7/1/2020 - 6/30/2021	20,800
United States Department of Education / Florida Department of Education / Title I Grants to Local Educational Agencies (Transportation) Total Title I Grants to Local Educational Agencies	84.010	7/1/2020 - 6/30/2021	<u>19,119</u> <u>1,489,877</u>
United States Department of Education / Florida Department of Education / Special Education Grants to States (IDEA, Part B) Total Special Education Cluster (IDEA)	84.027	7/1/2020 - 6/30/2021	<u>841,237</u> <u>841,237</u>

See accompanying note to schedule of expenditures of federal awards.

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Education / Florida Department of Education / Migrant Education State Grant Program	84.011	7/1/2020 - 6/30/2021	\$ 25,477
United States Department of Education / Florida Department of Education / Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	7/1/2020 - 6/30/2021	66,570
United States Department of Education / Florida Department of Education / Education for Homeless Children and Youth	84.196	7/1/2020 - 6/30/2021	54,337
United States Department of Education / Florida Department of Education / Charter Schools (Start-Up Grant)	84.282	7/17/2020 - 7/16/2021	100,333
United States Department of Education / Florida Department of Education / Charter Schools COVID-19 Distance Learning, Title V, Part B	84.282A	7/17/2020 - 7/16/2021 *	<u>172,565</u>
Total Charter Schools (Start-Up Grants)			<u>272,898</u>
United States Department of Education / Florida Department of Education / English Language Acquisition State Grants	84.365	7/1/2020 - 6/30/2021	23,108
United States Department of Education / Florida Department of Education / Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	7/1/2020 - 6/30/2021	180,366
United States Department of Education / Florida Department of Education / Student Support and Academic Enrichment Program	84.424	7/1/2020 - 6/30/2021	95,063
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Governor's Emergency Education Relief Fund - Building K-12 CTE Infrastructure)	84.425C	5/1/2020 - 9/30/2022 *	10,000
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Governor's Emergency Education Relief Fund - Summer Recovery Program)	84.425C	6/1/2020 - 10/31/2020 *	104,440

See accompanying note to schedule of expenditures of federal awards.

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Governor's Emergency Education Relief Fund - Coronavirus Prevention and Response - Sanitation and Screening)	84.425C	7/1/2020 - 6/30/2021	* \$ 35,636
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Governor's Emergency Education Relief Fund - K-12 Civics Literacy Booklist)	84.425C	12/1/2020 - 6/30/2022	* 5,744
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Elementary and Secondary School Emergency Relief Fund - Instructional Continuity Plan)	84.425D	3/1/2021- 12/31/2021	* 590
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Elementary and Secondary School Emergency Relief Fund)	84.425D	6/1/2020 - 9/30/2022	* 1,095,938
United States Department of Education / Florida Department of Education / Education Stabilization Fund Under the Coronavirus Aid, Relief, and Economic Security (CARES) Act (Elementary and Secondary School Emergency Relief Fund)	84.425D	1/1/2021 - 7/1/2022	* 32,135
Total Education Stabilization Funds			<u>1,284,483</u>
United States Department of Defense / Florida Department of Education / Reserve Officer Training Corps (ROTC)	N/A	7/1/2020 - 6/30/2021	72,097
United States Department of Education / Office of Non-Public Education / E-Rate Program - Discounted Telecommunications Services	N/A	7/1/2020 - 6/30/2021	174,702
Total Expenditures of Federal Awards			<u>\$ 7,767,909</u>

* Represents COVID-19 funds

See accompanying note to schedule of expenditures of federal awards.

LAKE WALES CHARTER SCHOOLS, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2021

1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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

For the year ended June 30, 2021, the Company did not elect to use the 10% de minimis indirect cost rate.

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

To the Board of Trustees of Lake Wales Charter Schools, Inc.

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 Lake Wales Charter Schools, Inc. (the "Company") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated August 12, 2022.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Company'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 Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a material weakness.



COMPLIANCE AND OTHER MATTERS

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

COMPANY'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Company'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 Company'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 Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKHM, P.A.

Orlando, Florida
August 12, 2022

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

To the Board of Trustees of Lake Wales Charter Schools, Inc.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited Lake Wales Charter Schools, Inc.’s (the “Company”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company’s major federal programs for the year ended June 30, 2021. The Company’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the Company’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.



REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

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



Orlando, Florida
August 12, 2022

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

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

Federal Awards

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

Identification of major programs:

Assistance Listing Number	Grant Period	Name of Federal Program
10.553, 10.555, 10.559	3/1/2020 - 9/30/2021 7/1/2020 - 6/30/2021	Child Nutrition Cluster
84.425	Various	Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as a low-risk auditee?	Yes
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LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 2021-001

Criteria:

The Company's internal control policy requires that all disbursement checks be signed by two individuals, the Superintendent and the Chief Financial Officer ("CFO").

Statement of condition:

During our audit procedures, we noted several checks that did not include the required dual signatures.

Questioned costs:

None

Effect of condition:

The Company is not following its internal control policy related to dual signatures on disbursement checks.

Cause of condition:

The Board of Trustees approved a separation agreement with the Superintendent, effective February 2021, and the CFO served as the interim Superintendent until another individual was hired. During this time, the CFO signed disbursement checks in both capacities.

Recommendation:

We recommend that policies be revised to include an additional check signer in the event that either the Superintendent or CFO are not available to sign.

Management's response:

Management agreed with this finding and will revise its internal control policies accordingly.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS

There were no prior year audit findings.