



**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF
POLK COUNTY, FLORIDA**

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

JUNE 30, 2021



CONTENTS

	<u>Page</u>
Management’s Discussion and Analysis	1 – 7
Independent Auditor’s Report on Basic Financial Statements and Supplementary Information	8 – 9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Funds	12
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Fiduciary Net Position	16
Statement of Changes in Fiduciary Net Position	17
Notes to Financial Statements	18 – 34
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	35
Budgetary Comparison Schedule – Special Revenue Fund	36
Schedule of Proportionate Share of Net Pension Liability (Asset)	37
Schedule of Contributions – Pension Plans	38
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 <i>Government Auditing Standards</i>	39 – 40
Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers:</i>	
Management Letter	41 – 43

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Dale R. Fair Babson Park Elementary School (the "School") presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2021. Please read it in conjunction with the School's financial statements, which follow this section.

Lake Wales Charter Schools, Inc. (the "Company") operates a system of seven public charter schools in the Lake Wales, Florida area, and the School is a part of that system. In addition, a central administrative office provides certain management, administrative, food and transportation services to the School.

FINANCIAL HIGHLIGHTS

Key financial highlights for the 2020-21 fiscal year are as follows:

- The School's net position decreased compared to the prior fiscal year.
- For the fiscal year ended June 30, 2021, the School's expenses exceeded revenues by \$2,678. This represents an improvement from the prior year when expenses exceeded revenues by \$211,730.
- Overall, revenues increased by approximately \$144,000, which represents a 4% increase from the prior year.
- Overall, expenses decreased by approximately \$65,000, which represents a 2% decrease 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 School:

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

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

This document also includes the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850.

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

	Government-wide Statements	Fund Statements	
		Governmental Funds	Fiduciary Fund
Scope	Entire School (except the fiduciary fund)	The activities of the School that are not proprietary or fiduciary	Instances in which the School administers resources on behalf of someone else
Required financial statements	Statement of net position Statement of activities	Balance sheet – governmental funds Statement of revenues, expenditures and changes in fund balances – governmental funds	Statement of fiduciary 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 School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the School's assets, deferred outflows of resources, liabilities and deferred inflows of resources, but excludes fiduciary funds. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

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

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

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

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

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

Fund Financial Statements

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

The School currently has two types of funds:

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

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

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

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

	Governmental Activities		Increase (Decrease)
	2021	2020	
Current and other assets	\$1,185,210	\$1,166,371	2%
Capital assets, net	298,752	143,825	108%
Deferred outflows of resources	<u>927,815</u>	<u>786,148</u>	<u>18%</u>
Total assets and deferred outflows	<u>2,411,777</u>	<u>2,096,344</u>	<u>15%</u>
Long-term liabilities	2,791,054	2,346,407	19%
Deferred inflows of resources	<u>114,154</u>	<u>240,690</u>	<u>-53%</u>
Total liabilities and deferred inflows	<u>2,905,208</u>	<u>2,587,097</u>	<u>12%</u>
Net position:			
Net investment in capital assets	298,752	143,825	108%
Unrestricted	<u>(792,183)</u>	<u>(634,578)</u>	<u>-25%</u>
Total net position	<u><u>\$ (493,431)</u></u>	<u><u>\$ (490,753)</u></u>	<u><u>-1%</u></u>

The School ended its fiscal year with a net position of (\$493,431), with \$298,752 as the net investment in capital assets and (\$792,183) in unrestricted funds representing the accumulated results of prior years' operations. The unrestricted net position represents the amount of discretionary resources that can be used to fund the School's 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 increased to \$1,185,210, most of which represents amounts due from the central administrative office. Since the Company maintains cash deposits on a pooled basis for all of its charter schools, the amount due from the central administrative office represents amounts advanced by the School to the Company for operating costs and represents the School's share of the pooled cash balance. Additional amounts were advanced during fiscal period 2020-21 as a result of the current year operating surplus at the fund level.

Net capital assets increased due to current year capital asset additions, including construction in progress, exceeding depreciation expense. Deferred outflows of resources and deferred inflows of resources relate to the School's participation in the state's pension plans. The long-term liabilities increase is primarily attributable to the increase in the School's proportionate share of the state's net pension obligation. See Note 6 for additional pension plan information.

Change in Net Position

The School's total revenues increased by 4% to \$3,994,965, and the total cost of all programs and services decreased by 2% to \$3,997,643 – see table below.

	Governmental Activities		Increase
	2021	2020	(Decrease)
Revenues:			
Federal sources	\$ 190,932	\$ 185,222	3%
State and local sources	3,636,354	3,520,370	3%
Contributions and other revenue	167,679	145,766	15%
Total revenues	<u>3,994,965</u>	<u>3,851,358</u>	<u>4%</u>
Expenses:			
Instruction	2,783,901	2,805,456	-1%
Student support services	59,904	45,155	33%
Instructional media	75,999	81,154	-6%
Instruction and curriculum development	135,713	142,098	-4%
Instructional staff training	564	13,396	-96%
Instruction-related technology	15,208	6,258	143%
Board	11,000	10,500	5%
General administration	16,161	15,793	2%
School administration	501,384	516,362	-3%
Facilities acquisition and construction	17,409	12,375	41%
Pupil transportation	113,972	164,807	-31%
Operation of plant	226,402	208,597	9%
Community services	40,026	41,137	-3%
Total expenses	<u>3,997,643</u>	<u>4,063,088</u>	<u>-2%</u>
Change in net position	<u>\$ (2,678)</u>	<u>\$ (211,730)</u>	<u>99%</u>

The School operates primarily on the Florida Education Finance Program (FEFP) funding, state categorical educational funding, and local property taxes (91% of the School's total governmental revenues) to fund governmental activities. The School received approximately 5% of its total revenues in federal Title I and IDEA entitlement revenue and other federal programs to supplement the School's 2020-21 operations. An increase in E-Rate funding accounts for the majority of the increase in revenues from federal sources. The remaining portion of the School's revenue (4%) is the result of contributions and program revenue, which increased primarily due to an increase in pre-kindergarten and after-school program participation.

Instruction and instruction-related activities represent 77% of the School's expenses, which decreased approximately 1% during fiscal year 2020-21, a result of decreased total overall expenditures. The general administration expenses reflect the administration fee paid to the School Board based on FEFP revenue. The School utilized the Company transportation system in fiscal year 2020-21, and the expenditures reflect the cost the Company incurred to provide transportation service to the School. The decrease in transportation expenses is the result of decreased ridership and maintenance costs. Operation of plant expenses increased due to additional custodial cost due to COVID-19 deep cleaning.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$1,185,210, which is an increase from the prior year. 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 School 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 federal entitlements roll-forward monies awarded from the prior year from the Florida Department of Education.

For the year ended June 30, 2021, actual general fund revenues were approximately \$12,000 below the budgeted amounts, which represents a budget variance of less than 1%. Actual general fund expenditures were approximately \$22,000 below the budgeted amounts, which represents a budget variance of approximately 1%. These variances are the result of the School's approach of accountable and autonomous site-based resource management across revenues and expenditures.

For the year ended June 30, 2021, actual special revenue fund revenues and expenditures were approximately \$5,000 above the budgeted amounts. Revenues under the federal grants are recognized to the extent that eligible expenditures have been incurred.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2021, the School had invested \$766,544 in capital assets, consisting primarily of construction in progress, computers and other electronic equipment.

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

- Construction in progress - \$200,000
- Basketball court - \$6,112
- Anywhere carts - \$1,869

The School's fiscal year 2021-22 capital budget does not include significant spending related to capital projects. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2021-22:

- Student membership and FEFP funding per pupil
- Cost of goods and services
- Competitive employee compensation

Amounts available for appropriation in the general fund are \$3,673,959, a 3% decrease from the actual 2021 amount of \$3,804,033. A predominate factor affecting the budget is the School's 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 2021-22 budget is based on a lower student count from the official membership funded in 2020-21 and a lower anticipated collection of private donations during the year.

Budgeted general fund expenditures are expected to decrease to \$3,650,818, or 4%, from the fiscal 2021 actual figure of \$3,785,194. The School is allocating resources to enhance academic achievement at all student-learning levels and for anticipated student membership.

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

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 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. –
Dale R. Fair Babson Park Elementary School, a Charter School and
Component Unit of the District School Board of Polk County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Dale R. Fair Babson Park Elementary School (the “School”), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Dale R. Fair Babson Park Elementary School 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 – 7, the budgetary comparison information on pages 35 – 36 and the pension information on pages 37 – 38 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 REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2021 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.



Winter Park, Florida
September 30, 2021

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

STATEMENT OF NET POSITION

JUNE 30, 2021

	Governmental Activities
ASSETS	
Accounts receivable	\$ 30,121
Due from central administrative office	1,155,089
Capital assets, net	298,752
Total assets	1,483,962
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	927,815
Total assets and deferred outflows of resources	\$ 2,411,777
LIABILITIES	
Long-term liabilities:	
Portion due or payable within one year:	
Compensated absences payable	\$ 122,993
Portion due or payable after one year:	
Net pension liability	2,668,061
Total liabilities	2,791,054
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	114,154
NET POSITION	
Net investment in capital assets	298,752
Unrestricted	(792,183)
Total net position	(493,431)
Total liabilities, deferred inflows of resources and net position	\$ 2,411,777

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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	\$ 2,783,901	\$ 67,160	\$ 67,089	\$ -	\$ (2,649,652)	\$ (2,649,652)
Student support services	59,904	-	2,445	-	(57,459)	(57,459)
Instructional media	75,999	-	-	-	(75,999)	(75,999)
Instruction and curriculum development	135,713	-	112,315	-	(23,398)	(23,398)
Instructional staff training	564	-	-	-	(564)	(564)
Instruction-related technology	15,208	-	9,083	-	(6,125)	(6,125)
Board	11,000	-	-	-	(11,000)	(11,000)
General administration	16,161	-	-	-	(16,161)	(16,161)
School administration	501,384	-	-	-	(501,384)	(501,384)
Facilities acquisition and construction	17,409	-	-	-	(17,409)	(17,409)
Pupil transportation	113,972	-	-	-	(113,972)	(113,972)
Operation of plant	226,402	-	-	-	(226,402)	(226,402)
Community services	40,026	68,833	-	-	28,807	28,807
Total primary government	<u>\$ 3,997,643</u>	<u>\$ 135,993</u>	<u>\$ 190,932</u>	<u>\$ -</u>	<u>(3,670,718)</u>	<u>(3,670,718)</u>
General revenues:						
State and local sources					3,636,354	3,636,354
Contributions and other revenue					31,686	31,686
Total general revenues					<u>3,668,040</u>	<u>3,668,040</u>
Change in net position					(2,678)	(2,678)
Net position at beginning of year					<u>(490,753)</u>	<u>(490,753)</u>
Net position at end of year					<u>\$ (493,431)</u>	<u>\$ (493,431)</u>

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2021

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Total Governmental Funds</u>
ASSETS			
Accounts receivable	\$ 50	\$ 30,071	\$ 30,121
Due from central administrative office	<u>1,185,160</u>	<u>-</u>	<u>1,185,160</u>
Total assets	<u>\$ 1,185,210</u>	<u>\$ 30,071</u>	<u>\$ 1,215,281</u>
LIABILITIES			
Due to central administrative office	<u>\$ -</u>	<u>\$ 30,071</u>	<u>\$ 30,071</u>
Total liabilities	<u>-</u>	<u>30,071</u>	<u>30,071</u>
FUND BALANCES			
Unassigned	<u>1,185,210</u>	<u>-</u>	<u>1,185,210</u>
Total fund balances	<u>1,185,210</u>	<u>-</u>	<u>1,185,210</u>
Total liabilities and fund balances	<u>\$ 1,185,210</u>	<u>\$ 30,071</u>	<u>\$ 1,215,281</u>

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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

JUNE 30, 2021

Total fund balances - total governmental funds	\$ 1,185,210
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$766,544, and the accumulated depreciation is \$467,792.	298,752
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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.	(122,993)
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The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental funds:

Pension related deferred outflows of resources	927,815
Net pension liability	(2,668,061)
Pension related deferred inflows of resources	(114,154)
	(114,154)

Total net position - governmental activities	\$ <u>(493,431)</u>
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The accompanying notes to financial statements are an integral part of this statement.

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
REVENUES			
Federal sources	\$ -	\$ 190,932	\$ 190,932
State and local sources	3,636,354	-	3,636,354
Contributions and other revenue	167,679	-	167,679
Total revenues	<u>3,804,033</u>	<u>190,932</u>	<u>3,994,965</u>
EXPENDITURES			
Current:			
Instruction	2,564,024	67,089	2,631,113
Student support services	57,953	2,445	60,398
Instructional media	79,417	-	79,417
Instruction and curriculum development	22,816	112,315	135,131
Instructional staff training	564	-	564
Instruction-related technology	4,516	9,083	13,599
Board	11,000	-	11,000
General administration	16,161	-	16,161
School administration	459,072	-	459,072
Facilities acquisition and construction	200,000	-	200,000
Pupil transportation	113,972	-	113,972
Operation of plant	207,692	-	207,692
Community services	40,026	-	40,026
Capital outlay	7,981	-	7,981
Total expenditures	<u>3,785,194</u>	<u>190,932</u>	<u>3,976,126</u>
Net changes in fund balances	18,839	-	18,839
Fund balances at beginning of year	<u>1,166,371</u>	<u>-</u>	<u>1,166,371</u>
Fund balances at end of year	<u><u>\$ 1,185,210</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,185,210</u></u>

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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

FOR THE YEAR ENDED JUNE 30, 2021

Net changes in fund balances - total governmental funds **\$ 18,839**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$207,981) exceed depreciation expense (\$53,054) in the current period. 154,927

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. 43,704

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. (220,148)

Change in net position of governmental activities **\$ (2,678)**

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2021

	Custodial Fund
ASSETS	
Due from central administrative office	\$ 97,722
Total assets	<u>\$ 97,722</u>
NET POSITION	
Restricted for:	
Student activities	\$ 97,722
Total net position	<u>\$ 97,722</u>

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

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A CHARTER SCHOOL AND COMPONENT UNIT OF
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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2021

	Custodial Fund
ADDITIONS	
Collections for student activities	\$ 149,681
Total additions	149,681
DEDUCTIONS	
Payments for student activities	89,967
Total deductions	89,967
Change in net position	59,714
Net position at beginning of year, as restated	38,008
Net position at end of year	\$ 97,722

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

**LAKE WALES CHARTER SCHOOLS, INC.
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A CHARTER SCHOOL AND COMPONENT UNIT OF
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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. Dale R. Fair Babson Park Elementary School (the “School”) operates as part of the Company with six other charter schools in the Lake Wales, Florida area. The governing body of the School 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 School converted from a traditional public school to a public charter school. Effective July 1, 2011, the Company became its own local educational agency (“LEA”).

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

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

Basis of Presentation

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

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

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

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

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

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

Governmental Funds:

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

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

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Fiduciary Fund:

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

Basis of Accounting

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

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

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The School considers revenues to be available if they are collected within 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.

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 its charter schools. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The Company's cash consists primarily of demand deposits with financial institutions.

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Accounts Receivable

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

Capital Assets and Depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at 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	10
Furniture, fixtures and equipment	3 - 7
Computer software	3

Information relative to changes in capital assets is described in Note 3.

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 5.

Long-term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term liabilities is described in Note 5.

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Fund Balance Spending Policy

The School'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 School is 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 Lake Wales Charter Schools system 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 School's other funds.

Revenue Sources

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

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the Lake Wales Charter Schools system, 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.

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

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 expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Subsequent Events

The School has evaluated subsequent events through September 30, 2021, 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 School 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.

2 ACCOUNTS RECEIVABLE

Accounts receivable in the accompanying financial statements include \$30,121 in funds receivable from federal and state agencies under various grants, which are detailed as follows:

Title I Grants to Local Educational Agencies	\$ 18,762
Special Education-Grants to States (IDEA, Part B)	11,309
Other	<u>50</u>
Total	<u><u>\$ 30,121</u></u>

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

3 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:				
Construction in progress	\$ -	\$ 200,000	\$ -	\$ 200,000
Capital assets being depreciated:				
Improvements other than buildings	139,540	6,112	-	145,652
Furniture, fixtures and equipment	372,014	1,869	-	373,883
Computer software	47,009	-	-	47,009
Total capital assets being depreciated	<u>558,563</u>	<u>7,981</u>	<u>-</u>	<u>566,544</u>
Less accumulated depreciation for:				
Improvements other than buildings	(44,840)	(23,753)	-	(68,593)
Furniture, fixtures and equipment	(322,889)	(29,301)	-	(352,190)
Computer software	(47,009)	-	-	(47,009)
Total accumulated depreciation	<u>(414,738)</u>	<u>(53,054)</u>	<u>-</u>	<u>(467,792)</u>
Capital assets being depreciated, net	<u>143,825</u>	<u>(45,073)</u>	<u>-</u>	<u>98,752</u>
Governmental activities capital assets, net	<u>\$ 143,825</u>	<u>\$ 154,927</u>	<u>\$ -</u>	<u>\$ 298,752</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 15,298
Instruction and curriculum development	29
Instruction-related technology	1,609
School administration	1,618
Facilities acquisition and construction	17,409
Operation of plant	<u>17,091</u>
Total governmental activities depreciation expense	<u>\$ 53,054</u>

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

4 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

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

Legal Matters

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

Risk Management Program

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

Contingency

The Company obtained a loan from a financial institution in order to purchase property for the location of one of its middle schools. In addition to a mortgage on the property acquired, the furniture, fixtures and equipment of the School also serve as collateral for the loan.

Uncertainty

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

5 LONG-TERM LIABILITIES

Long-term liabilities activity during 2021 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 166,697	\$ -	\$ (43,704)	\$ 122,993	\$ 122,993
Net pension liability	<u>2,179,710</u>	<u>488,351</u>	<u>-</u>	<u>2,668,061</u>	<u>-</u>
Governmental activities, long-term liabilities	<u>\$ 2,346,407</u>	<u>\$ 488,351</u>	<u>\$ (43,704)</u>	<u>\$ 2,791,054</u>	<u>\$ 122,993</u>

6 PENSION PLANS

Pension Plan Descriptions

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

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**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 School is reduced by these amounts.

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

Contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	10%
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.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**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.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**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%
\$ 2,610,541	\$ 1,900,541	\$ 591,132	\$ 802,909	\$ 767,520	\$ 620,427

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 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. 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.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**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 School reported a liability of \$2,668,061 for its proportionate share of the net pension liabilities. The School's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ended June 30, 2013 through June 30, 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 School's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

The School's proportions are as follows:

	FRS	HIS
June 30, 2020	0.0044%	0.0063%
June 30, 2019	0.0043%	0.0063%
Change	0.0001%	0.0000%

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

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

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

For the year ended June 30, 2021, the School recognized pension expense of \$458,035. As of June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between expected and actual experience	\$ 104,134	\$ 592
Changes of assumptions	426,588	44,628
Net difference between projected and actual earnings on pension plan investments	113,773	-
Changes in proportion and differences between School contributions and proportionate share of contributions	56,861	68,934
School contributions subsequent to the measurement date	<u>226,459</u>	<u>-</u>
Total	<u><u>\$ 927,815</u></u>	<u><u>\$ 114,154</u></u>

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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

Reporting Period Ended June 30:	Amount
2022	\$ 124,914
2023	182,072
2024	148,217
2025	93,950
2026	29,527
Thereafter	8,522

7 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	\$ 2,161,458
Class size reduction	593,240
Discretionary local effort	146,408
Discretionary millage	141,982
Supplemental academic instruction	123,205
Additional allocation	104,111
ESE guaranteed allocation	98,955
Transportation	72,276
Teacher salary increase allocation	64,377
Instructional materials	36,425
Safe schools	26,120
Funds compression allocation	20,661
Reading allocation	20,302
Mental health assistance allocation	16,556
Teacher lead	9,703
Digital classroom allocation	575
Total	\$ 3,636,354

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

The administration fee paid to the School Board during 2021 totaled approximately \$16,000, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

8 RELATED PARTY TRANSACTIONS

As previously noted, the Company maintained cash deposits on a pooled basis for all of its charter schools during the fiscal year ended June 30, 2021. The amount due from the central administrative office in the accompanying financial statements represents the School's share of the pooled cash balance. The net balance of \$1,155,089 primarily includes amounts advanced by the School to the Company for operating costs. The balance is also net of payroll liabilities (taxes, insurance, retirement, etc.) to be paid by the Company on behalf of the School. Due to centralized cash management and the timing of the payroll accrual near year-end, the amount due from the central administrative office represents a significant portion of total assets as of June 30, 2021.

In addition, the Company provides certain management and administrative services to the School. Expenses for these services are generally allocated to each charter school operated by the Company based on the relative number of students, but can be increased or decreased at the discretion of the Company. For the year ended June 30, 2021, the School's share of these expenses totaled \$136,884, which is reflected as a school administration expense/expenditure in the accompanying financial statements.

The Company also provides transportation services for the School in exchange for the transportation revenue generated by the School based on its full-time equivalent student count. Amounts paid to the Company for transportation services during fiscal 2021 totaled \$113,915.

During fiscal 2021, the Company operated and managed all of its charter schools as one collective unit, although each charter school is considered a separate reporting entity. As one legal entity, the Company has the option to transfer funds between schools as it deems necessary. The following schedule reflects the unassigned general fund balance of each school as of June 30, 2021:

Dale R. Fair Babson Park Elementary School	\$ 1,185,210
Edward W. Bok Academy South	360,868
Edward W. Bok Academy North	(242,373)
Hillcrest Elementary School	2,692,536
Janie Howard Wilson Elementary School	2,279,387
Lake Wales High School	1,800,595
Polk Avenue Elementary School	<u>1,362,258</u>
Total	<u>\$ 9,438,481</u>

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS
(continued)**

9 CAMPUS FACILITY

Title to the school building and facilities and other capital assets acquired prior to July 1, 2004 remains with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the district 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 School is significant; therefore, any substantial changes in Florida Statutes related to facilities use by conversion charter schools could have a material effect on the School's operations.

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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	\$ 3,571,733	\$ 3,483,996	\$ 3,636,354	\$ 152,358
Contributions and other revenue	184,004	332,078	167,679	(164,399)
Total revenues	<u>3,755,737</u>	<u>3,816,074</u>	<u>3,804,033</u>	<u>(12,041)</u>
EXPENDITURES				
Current:				
Instruction	2,419,500	2,514,222	2,564,024	(49,802)
Student support services	30,731	31,514	57,953	(26,439)
Instructional media	78,468	79,177	79,417	(240)
Instruction and curriculum development	42,891	23,383	22,816	567
Instructional staff training	-	-	564	(564)
Instruction-related technology	12,186	13,651	4,516	9,135
Board	11,500	11,500	11,000	500
General administration	18,681	18,681	16,161	2,520
School administration	753,879	518,587	459,072	59,515
Facilities acquisition and construction	-	-	200,000	(200,000)
Pupil transportation	90,839	81,419	113,972	(32,553)
Operation of plant	231,062	242,020	207,692	34,328
Community services	66,000	39,608	40,026	(418)
Capital outlay	-	233,073	7,981	225,092
Total expenditures	<u>3,755,737</u>	<u>3,806,835</u>	<u>3,785,194</u>	<u>21,641</u>
Net changes in fund balance	-	9,239	18,839	9,600
Fund balance at beginning of year	<u>1,166,371</u>	<u>1,166,371</u>	<u>1,166,371</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,166,371</u>	<u>\$ 1,175,610</u>	<u>\$ 1,185,210</u>	<u>\$ 9,600</u>

See independent auditor's report.

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Federal sources	\$ 163,061	\$ 186,104	\$ 190,932	\$ 4,828
Total revenues	<u>163,061</u>	<u>186,104</u>	<u>190,932</u>	<u>4,828</u>
EXPENDITURES				
Current:				
Instruction	163,061	186,104	67,089	119,015
Student support services	-	-	2,445	(2,445)
Instruction and curriculum development	-	-	112,315	(112,315)
Instruction-related technology	-	-	9,083	(9,083)
Total expenditures	<u>163,061</u>	<u>186,104</u>	<u>190,932</u>	<u>(4,828)</u>
Net changes in fund balance	-	-	-	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditor's report.

**LAKE WALES CHARTER SCHOOLS, INC.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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										
School's proportion of the net pension liability (asset)	0.0044%	0.0043%	0.0042%	0.0040%	0.0045%	0.0051%	0.0053%			
School's proportionate share of the net pension liability (asset)	\$ 1,900,541	\$ 1,470,648	\$ 1,265,771	\$ 1,196,953	\$ 1,139,285	\$ 658,709	\$ 321,794			
School's covered-employee payroll	\$ 2,129,810	\$ 2,130,115	\$ 2,053,514	\$ 1,993,389	\$ 2,013,663	\$ 2,158,493	\$ 2,003,162			
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	89%	69%	62%	60%	57%	31%	16%			
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										
School's proportion of the net pension liability (asset)	0.0063%	0.0063%	0.0063%	0.0062%	0.0065%	0.0067%	0.0067%			
School's proportionate share of the net pension liability (asset)	\$ 767,520	\$ 709,062	\$ 661,552	\$ 666,415	\$ 759,839	\$ 678,466	\$ 630,787			
School's covered-employee payroll	\$ 2,129,810	\$ 2,130,115	\$ 2,053,514	\$ 1,993,389	\$ 2,013,663	\$ 2,158,493	\$ 2,003,162			
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	36%	33%	32%	33%	38%	31%	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.
DALE R. FAIR BABSON PARK ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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	\$ 188,837	\$ 145,695	\$ 132,412	\$ 119,764	\$ 105,343	\$ 110,033	\$ 124,338	\$ 115,524		
Contributions in relation to the contractually required contribution	188,837	145,695	132,412	119,764	105,343	110,033	124,338	115,524		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
School's covered-employee payroll										
School's covered-employee payroll	\$ 2,265,925	\$ 2,129,810	\$ 2,130,115	\$ 2,053,514	\$ 1,993,389	\$ 2,013,663	\$ 2,158,493	\$ 2,003,162		
Contributions as a percentage of covered-employee payroll	8%	7%	6%	6%	5%	5%	6%	6%		
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 37,622	\$ 36,224	\$ 35,189	\$ 33,896	\$ 32,985	\$ 33,417	\$ 25,431	\$ 23,110		
Contributions in relation to the contractually required contribution	37,622	36,224	35,189	33,896	32,985	33,417	25,431	23,110		
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -		
School's covered-employee payroll										
School's covered-employee payroll	\$ 2,265,925	\$ 2,129,810	\$ 2,130,115	\$ 2,053,514	\$ 1,993,389	\$ 2,013,663	\$ 2,158,493	\$ 2,003,162		
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.

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. –
Dale R. Fair Babson Park Elementary School, a Charter School and
Component Unit of the District School Board of Polk County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Dale R. Fair Babson Park Elementary School (the "School"), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 30, 2021.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKHM, P.A.

Winter Park, Florida
September 30, 2021

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

To the Board of Trustees of Lake Wales Charter Schools, Inc. –
Dale R. Fair Babson Park Elementary School, a Charter School and
Component Unit of the District School Board of Polk County, Florida

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Dale R. Fair Babson Park Elementary School (the “School”), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

AUDITOR’S RESPONSIBILITY

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

OTHER REPORTING REQUIREMENTS

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 30, 2021, should be considered in conjunction with this management letter.

PRIOR AUDIT FINDINGS

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the preceding annual financial audit report.

OFFICIAL TITLE

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Lake Wales Charter Schools, Inc. – Dale R. Fair Babson Park Elementary School, and the school code assigned by the Florida Department of Education is 1421.

FINANCIAL CONDITION AND MANAGEMENT

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

To the Board of Trustees of Lake Wales Charter Schools, Inc. –
Dale R. Fair Babson Park Elementary School, a Charter School and
Component Unit of the District School Board of Polk County, Florida
Page 2

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

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

TRANSPARENCY

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

ADDITIONAL MATTERS

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

PURPOSE OF THIS LETTER

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



Winter Park, Florida
September 30, 2021