

Marion Charter School, Inc.

A Component Unit of the Marion County District School Board

Financial Statements
And
Independent Auditors' Reports

June 30, 2021

PRICE & ASSOCIATES CERTIFIED PUBLIC ACCOUNTANTS, LLC

**9800 4th Street North, Suite 200
St Petersburg, Florida 33702**

(727) 937-3116

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2021

MARION CHARTER SCHOOL

A Component Unit of the Marion County District School Board

Contents

| | |
|---|----|
| INDEPENDENT AUDITORS' REPORT | 1 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Management's Discussion and Analysis (MD&A) | 2 |
| BASIC FINANCIAL STATEMENTS: | |
| Government-wide Financial Statements: | |
| Statement of Net Position..... | 5 |
| Statement of Activities | 6 |
| Governmental Fund Financial Statements: | |
| Balance Sheet | 7 |
| Reconciliation of the Balance Sheet to the Statement of Net Position | 8 |
| Statement of Revenues, Expenditures and Changes in Fund Balances..... | 9 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities..... | 10 |
| Notes to Financial Statements | 11 |
| REQUIRED SUPPLEMENTARY INFORMATION: | |
| Budgetary Comparison Schedule – General Fund | 21 |
| Budgetary Comparison Schedule – Special Revenue Fund..... | 22 |
| Schedules of School's Proportionate Share of the Net Pension Liability | 23 |
| Schedule of School's Contributions | 24 |
| ADDITIONAL ELEMENTS: | |
| Communication with Those Charged with Governance..... | 25 |
| Management Letter | 26 |
| Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 27 |

Price & Associates Certified Public Accountants, LLC

9800 4th Street North, Suite 200 St. Petersburg, Florida 33702 TEL: 727-937-3116 FAX: 407-339-1087 www.pricebussolutions.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Marion Charter School, Inc.

August 13, 2021

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Marion Charter School, Inc. (the School), a component unit of the Marion County District School Board, 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 the 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.

Auditors' 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 the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards required 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 auditors' 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 statement 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 and each major fund of the 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 management's discussion and analysis and the budgetary comparison schedule, as listed in the table of contents, 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 August 13, 2021, on our consideration of the School's internal control over financial reporting (internal control) 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 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance.

Price & Associates Certified Public Accountants, LLC

Management's Discussion and Analysis

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2021:

- The School's overall net position decreased by approximately \$193,000 or about 46%.
- Unrestricted net position at June 30, 2020 was (\$475,050).
- The School had total expenses for the year of about \$2,016,000 compared to revenues of approximately \$1,823,000.
- The School served approximately 209 students in 2021 and 211 students in 2020, in grades K-5.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

Government-wide Financial Statements

The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and deferred outflows and liabilities and deferred inflows – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increases and decreases in net position during the fiscal year. Over time, the increases or decreases in net position are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in state funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods or services.

Fund Financial Statements

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. These funds are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the governmental fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

Management's Discussion and Analysis

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net position and changes in net position.

| | 2021 Governmental Activities | 2020 Governmental Activities |
|-------------------------------------|------------------------------------|------------------------------------|
| Net Position | | |
| Assets: | | |
| Non-capital Assets | \$ 603,773 | \$ 594,948 |
| Capital Assets, Net | 439,540 | 529,482 |
| Total Assets | 1,043,313 | 1,124,430 |
| Deferred Outflows | 439,927 | 424,054 |
| Liabilities: | | |
| Current Liabilities | 23,119 | 20,301 |
| Net Pension Liability | 1,165,426 | 1,032,219 |
| Non-current Liabilities | - | -- |
| Total Liabilities | 1,188,545 | 1,052,520 |
| Deferred Inflows | 64,801 | 72,851 |
| Net Position: | | |
| Net Investment in Capital Assets | 439,540 | 529,482 |
| Restricted – Capital Outlay | 265,404 | 163,400 |
| Unrestricted | (475,050) | (269,769) |
| Total Net Position | \$ 229,894 | \$ 423,113 |
| Changes in Net Position | | |
| Program Revenues: | | |
| Charges for Services | \$ 49,518 | \$ 46,045 |
| Capital Grants and Contributions | 136,394 | 134,109 |
| General Revenues: | | |
| Title 1 Grant | 75,052 | 84,680 |
| Florida Education Finance Program | 1,378,240 | 1,449,861 |
| Other State Revenues | 182,210 | 4,410 |
| Unrestricted Grants & Contributions | 1,648 | 5,018 |
| Unrestricted Investment Earnings | 23 | 21 |
| Total Revenues | 1,823,085 | 1,724,144 |
| Program Expenses: | | |
| Instruction | 1,327,065 | 1,243,225 |
| Instructional Support Services | 115,686 | 95,165 |
| General Support | 537,286 | 523,997 |
| Community Service | 36,267 | 28,087 |
| Interest on Long-term Debt | -- | -- |
| Total Expenses | 2,016,304 | 1,890,474 |
| Change in Net Position | (193,219) | (166,330) |
| Beginning Net Position | 423,113 | 589,443 |
| Ending Net Position | \$ 229,894 | \$ 423,113 |

Management's Discussion and Analysis

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities. The governmental activities generated \$185,912 in program revenues and \$1,637,173 of general revenues and incurred \$2,016,304 of program expenses. This resulted in a \$193,219 decrease in net position.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund. The fund balance of the General Fund decreased by \$95,997, from \$411,247 to \$315,250.

Special Revenue Fund. The fund balance of the Special Revenue Fund remained the same at \$0 which means that all grant funds were spent during the year. This is expected due to the nature of the Title I grant funds.

Capital Projects Fund. The fund balance of the Capital Projects Fund increased by \$102,004. Not all revenues for the year were expended on eligible costs by year end.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant changes to the original budget. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. The School experienced no significant capital asset activity during the year. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

Debt Administration. The School issued no new debt during the year.

ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Michelle Axson (Director), Marion Charter School, 39 Cedar Road, Ocala, Florida 34472.

Statement of Net Position

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

| | Governmental Activities |
|----------------------------------|----------------------------|
| Cash | \$ 552,492 |
| Receivables | 48,300 |
| Prepaid Expenses | 1,381 |
| Deposits | 1,600 |
| Capital Assets: | |
| Land and Land Improvements | 248,319 |
| Depreciable Capital Assets, Net | 191,221 |
| Total Assets | 1,043,313 |
| Deferred Outflows | 439,927 |
| Accounts Payable | 752 |
| Retirement Contributions Payable | 22,367 |
| Net Pension Liability | 1,165,426 |
| Total Liabilities | 1,188,545 |
| Deferred Inflows | 64,801 |
| Net Investment in Capital Assets | 439,540 |
| Restricted – Capital Outlay | 265,404 |
| Unrestricted | (475,050) |
| Total Net Position | \$ 229,894 |

Statement of Activities
For the Year Ended June 30, 2021
Marion Charter School

A Component Unit of the Marion County District School Board

| | Program Revenues | | | | Net (Expense) Revenue and Change in Net Position |
|--------------------------------|-----------------------|-------------------------|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs: | | | | | |
| Governmental Activities: | | | | | |
| Instruction | \$ (1,327,065) | \$ -- | \$ -- | \$ -- | \$ (1,327,065) |
| Instructional Support Services | (115,686) | -- | -- | -- | (115,686) |
| General Support | (537,286) | -- | -- | 136,394 | (400,892) |
| Community Service | (36,267) | 49,518 | -- | -- | 13,251 |
| Total | <u>\$ (2,016,304)</u> | <u>\$ 49,518</u> | <u>\$ --</u> | <u>\$ 136,394</u> | <u>(1,830,392)</u> |

General Revenues:

| | |
|---------------------------------------|-----------|
| Federal through State: | |
| Title I Grant | 75,052 |
| State Revenue: | |
| Florida Education Finance Program | 1,378,240 |
| Other State Revenues | 182,210 |
| Unrestricted Grants and Contributions | 1,648 |
| Unrestricted Investment Earnings | <u>23</u> |

Total General Revenues **1,637,173**

Change in Net Position **(193,219)**

Net Position – Beginning of Year **423,113**

Net Position – End of Year **\$ 229,894**

Balance Sheet – Governmental Funds

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|--|-------------------|----------------------------|--------------------------|--------------------------------|
| Assets | | | | |
| Cash | \$ 287,088 | \$ -- | \$ 265,404 | \$ 552,492 |
| Receivables | 48,300 | -- | -- | 48,300 |
| Prepaid Expenses | 1,381 | -- | -- | 1,381 |
| Deposits | 1,600 | -- | -- | 1,600 |
| Total Assets | \$ 338,369 | \$ -- | \$ 265,404 | \$ 603,773 |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts Payable | \$ 752 | \$ -- | \$ -- | \$ 752 |
| Retirement Contributions Payable | 22,367 | -- | -- | 22,367 |
| Total Liabilities | 23,119 | -- | -- | 23,119 |
| Fund Balances: | | | | |
| Non-spendable – Deposits/Prepays | 2,981 | -- | -- | 2,981 |
| Restricted | -- | -- | 265,404 | 265,004 |
| Unassigned | 312,269 | -- | -- | 312,669 |
| Total Fund Balances | 315,250 | -- | 265,404 | 580,654 |
| Total Liabilities and Fund Balances | \$ 338,369 | \$ -- | \$ 265,404 | \$ 603,773 |

Reconciliation of the Balance Sheet to the Statement of Net Position - Governmental Funds

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

| | |
|---|-------------------|
| Fund Balances – Total Governmental Funds | \$ 580,654 |
|---|-------------------|

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

Capital assets used in governmental activities are not reported in the governmental funds:

| | |
|--|---------|
| Capital Assets – Net of Accumulated Depreciation | 439,540 |
|--|---------|

Accounting for the School's participation in the Florida Retirement System – the following amounts are reported in the Government-Wide Statements (see Note 6):

| | |
|-----------------------|--------------------|
| Deferred Outflows | 439,927 |
| Deferred Inflows | (64,801) |
| Net Pension Liability | <u>(1,165,426)</u> |

| | |
|--|---------------------------------|
| Net Position of Governmental Activities | <u><u>\$ 229,894</u></u> |
|--|---------------------------------|

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

For the Year Ended June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

| | General Fund | Special Revenue Fund | Capital Projects Fund | Total Governmental Funds |
|--|------------------|----------------------------|--------------------------|--------------------------------|
| Revenues | | | | |
| Federal through State: | | | | |
| Title I Grant | \$ -- | \$ 75,052 | \$ -- | \$ 75,052 |
| State Revenue: | | | | |
| Florida Education Finance Program | 1,378,240 | -- | -- | 1,378,240 |
| Other State Revenues | 182,210 | -- | -- | 182,210 |
| Public Education Capital Outlay | -- | -- | 136,394 | 136,394 |
| Local Revenue: | | | | |
| After School Child Care Fees | 45,678 | -- | -- | 45,678 |
| Other Local Revenues | 5,511 | -- | -- | 5,511 |
| Total Revenues | 1,611,639 | 75,052 | 136,394 | 1,823,085 |
| Expenditures and Changes in Fund Balances | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 1,169,944 | 74,106 | -- | 1,244,050 |
| Instructional Support Services | 109,443 | 946 | -- | 110,389 |
| General Support | 394,079 | -- | -- | 394,079 |
| Community Service | 34,170 | -- | -- | 34,170 |
| Capital Outlay | -- | -- | 34,390 | 34,390 |
| Total Expenditures | 1,707,636 | 75,052 | 34,390 | 1,817,078 |
| Excess of Revenues Over/(Under) | | | | |
| Expenditures | (95,997) | -- | 102,004 | 6,007 |
| Fund Balances, July 1, 2020 | 411,247 | -- | 163,400 | 574,647 |
| Fund Balances, June 30, 2021 | \$315,250 | \$ -- | \$ 265,404 | \$ 580,654 |

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance to the Statement of Activities - Governmental Funds**

For the Year Ended June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

Net Change in Fund Balance – Total Governmental Funds **\$ 6,007**

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 depreciated over their estimated useful lives:

| | |
|--|----------|
| Current Year Expenditures for Capital Assets | -- |
| Current Year Depreciation Expense | (89,943) |

Accounting for the School's participation in the Florida Retirement System:

| | |
|---|------------------|
| Adjustment of required contribution to net pension expense. | <u>(109,283)</u> |
|---|------------------|

Change in Net Position of Governmental Activities **\$ (193,219)**

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Marion Charter School, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

Reporting Entity

Marion Charter School, Inc. 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 not-for-profit corporation conducts business as Marion Charter School (the School). The governing body of the School is the not-for-profit corporation's Board of Directors.

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 Marion County District School Board (the District). The current charter is effective until June 30, 2020, and may be renewed up to an additional 15 years provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal inter-fund activity has been eliminated from the government-wide financial statements.

The Statement of Net Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's net position is reported in three categories: net investment in capital assets; restricted net assets; and unrestricted net assets.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

The following funds are used by the School:

GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses, specifically Title I funding.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no non-major funds.

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other items are considered to be measurable and available only when cash is received.

Cash

Cash consists of deposits in qualified public depositories and the bank has identified the School's deposits as public deposits.

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation.

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 10 - 30 |
| Improvements Other than Buildings | 15 |
| Furniture, Fixtures and Equipment | 3 - 5 |

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the District. Under the provisions of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated FTE student survey periods. The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School does not pay for employees' unused sick and vacation time at termination, and unused time does not accumulate. Therefore, no liability for compensated absences is recorded.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

Net Position

The net position represents the difference between assets and deferred outflows and liabilities and deferred inflows and is reported in three categories as hereafter described. *Net investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net position is reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. The balance of the net position is reported as *unrestricted*.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

Non-Spendable. The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted. The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed. Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

Assigned. Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Executive Director. Assigned fund balance includes spendable fund balance amounts established by the Executive Director that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Executive Director. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

Unassigned. Unassigned fund balance is the residual classification for the general fund.

It is the policy of the School that they will use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS), and additions to/deductions from the FRS and HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2021, was as follows:

| | Balance July 1, 2020 | Additions | Deletions | Balance June 30, 2021 |
|--|----------------------------|-------------|-----------|-----------------------------|
| Capital Assets not Being Depreciated: | | | | |
| Land | \$ 101,354 | \$ -- | \$ -- | \$ 101,354 |
| Land Improvements | 146,965 | -- | -- | 146,965 |
| Total Capital Assets not Being Depreciated | 248,319 | -- | -- | 248,319 |
| Capital Assets Being Depreciated: | | | | |
| Buildings | 772,329 | -- | - | 772,329 |
| Improvements Other Than Buildings | 39,496 | -- | -- | 39,496 |
| Furniture, Fixtures & Equipment | 64,542 | -- | -- | 64,542 |
| Total Capital Assets Being Depreciated | 876,367 | -- | -- | 876,367 |
| Accumulated Depreciation: | | | | |
| Buildings | 523,664 | 84,266 | -- | 607,930 |
| Improvements Other Than Buildings | 16,491 | 2,080 | -- | 18,571 |
| Furniture, Fixtures & Equipment | 55,049 | 3,597 | -- | 58,645 |
| Total Accumulated Depreciation | 595,204 | 89,943 | -- | 685,146 |
| Net Capital Assets | \$ 529,482 | \$ (89,943) | \$ -- | \$ 439,540 |

Depreciation was charged to functions/programs as follows:

| | |
|-----------------|------------------|
| Instructional | \$ -- |
| General Support | 89,943 |
| Total | <u>\$ 89,943</u> |

NOTE 3 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current and previous two years.

NOTE 4 – EMPLOYEE RETIREMENT PLAN

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 issues 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. The System's CAFR and the actuarial valuation reports, which provide detailed information about the plans, are available on line at: http://www.dms.myflorida.com/workforce_operations/retirement/publications. The system's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at: Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, FL 32315-9000, or call 850-488-5706 or toll free at 877-377-1737.

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 4 – EMPLOYEE RETIREMENT PLAN (continued)

Plan Descriptions

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, is administered, and may be amended in accordance with Chapter 121, Florida Statutes. 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.

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The percentage value for each year of service credit earned ranges from 1.60% to 1.68%. Benefits received are increased by an annual cost-of-living adjustment, ranging from 0% to 3% depending on effective dates of enrollment and retirement.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established, administered, and subject to amendment in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 4 – EMPLOYEE RETIREMENT PLAN (continued)

Contributions

Contribution requirements of active employees and participating employers are established and may be amended only through an act of the Florida Legislature. The FRS requires a contribution of 3% of covered pay from most employees. Those in the DROP program do not make contributions. The School is required to contribute at an actuarially determined rate. Contribution rates and amounts are listed in the table below. Amounts contributed were equal to the required contribution for those years.

| | Regular | DROP | Regular | DROP | Regular | DROP |
|---------------------------|-----------|---------|-----------|-------|-----------|-------|
| Contribution Rates - % | 2019 | | 2020 | | 2021 | |
| Retirement – Employer | 6.54 | 12.37 | 6.75 | 12.94 | 8.28 | 15.32 |
| HIS – Employer | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 | 1.66 |
| Administrative – Employer | .06 | -- | .06 | -- | .06 | -- |
| Employee | 3.00 | -- | 3.00 | -- | 3.00 | -- |
| Total | 11.26 | 14.03 | 11.47 | 14.60 | 13.00 | 16.98 |
| Contribution Amounts | | | | | | |
| Employer | \$88,089 | \$1,712 | \$90,767 | \$-- | \$107,326 | \$ -- |
| Employee | 31,557 | -- | 32,149 | -- | 32,199 | -- |
| Totals | \$119,646 | \$1,712 | \$122,916 | \$-- | \$139,525 | \$ -- |

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

At June 30, 2021, the School reported a liability of \$1,165,426 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The following displays the School's proportionate shares for the two programs:

| | Share at June 30, 2019 | Share at June 30, 2020 | Change |
|---------------------------|---------------------------|---------------------------|---------------|
| Florida Retirement System | 0.001943397% | 0.001820491% | 0.0001229060% |
| Health Insurance Subsidy | 0.003245391% | 0.003084130% | 0.0001612610% |

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 5 – EMPLOYEE RETIREMENT PLAN (continued)

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

For the year ended June 30, 2021, the School recognized pension expense of \$216,611. At 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 |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience. | \$ 45,602 | \$ 290 |
| Changes of assumptions. | 183,331 | 21,896 |
| Net difference between projected and actual earnings on pension plan investments. | 47,280 | -- |
| Changes in proportion and differences between School contributions and proportionate share of contributions. | 56,602 | 42,615 |
| Contributions subsequent to the measurement date. | 107,112 | -- |
| Total | <u>\$ 439,927</u> | <u>\$ 64,801</u> |

The School reported \$107,112 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following years:

| Year Ending <u>June 30,</u> | FRS | HIS | Total |
|--------------------------------|-------------------|------------------|-------------------|
| 2022 | \$ 65,882 | \$ 14,707 | \$ 80,589 |
| 2023 | 32,380 | 13,926 | 46,306 |
| 2024 | 49,870 | 9,211 | 59,081 |
| 2025 | 37,969 | 3,606 | 41,575 |
| 2026 | 24,246 | 5,322 | 29,568 |
| 2027 | 3,357 | 3,255 | 6,612 |
| 2028 | 668 | 2,997 | 3,665 |
| 2029 | -- | 618 | 618 |
| Total | <u>\$ 214,372</u> | <u>\$ 53,642</u> | <u>\$ 268,014</u> |

Actuarial Assumptions and Discount Rate

The total pension liability for cost-sharing defined benefit plans was determined by an actuarial valuation as of July 1, 2020, using the 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 6.8%. 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.) Morality assumptions for the FRS Pension Plan were changed as noted below and morality assumptions for the HIS Program remained unchanged.

The following changes in actuarial assumptions occurred in 2020:

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

NOTE 5 – EMPLOYEE RETIREMENT PLAN (concluded)

- FRS: The long-term expected rate of return was decreased from 6.90% to 6.80%, 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.
- FRS: The assumed inflation rate was decreased from 2.60% to 2.40%.

Actuarial assumptions and Discount Rate (concluded)

- HIS: The municipal rate used to determine total pension liability was decreased from 3.50% to 2.21.
- HIS: The assumed inflation rate was decreased from 2.60% to 2.40%.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact of the School's proportionate share of the collective net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2020.

| Florida Retirement System | | | Health Insurance Subsidy | | |
|---------------------------|-------------------------------------|------------------------|--------------------------|-------------------------------------|------------------------|
| 1% Decrease (5.80%) | Current Discount Rate (6.80%) | 1% Increase (7.80%) | 1% Decrease (1.21%) | Current Discount Rate (2.21%) | 1% Increase (3.21%) |
| \$1,259,945 | \$788,859 | \$395,716 | \$435,295 | \$376,567 | \$328,499 |

Long-term expected rate of return.

The long-term expected rate of return assumption of 6.80 percent consists of two building block components: 1) a real (in excess of inflation) return of 4.30 percent, consistent with the capital market outlook model developed during 2019 by the outside investment consultant to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.40 percent as adopted in October 2019 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.80 percent return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.90 percent reported investment return assumption differs from the 7.00 percent investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

For reference, the table below contains a summary of Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Annual Arithmetic Return</u> | <u>Compound Annual (Geometric) Return</u> | <u>Standard Deviation</u> |
|-----------------------|------------------------------|---|---|-------------------------------|
| Cash | 1% | 2.2% | 2.2% | 1.2% |
| Fixed Income | 19% | 3.0% | 2.9% | 3.5% |
| Global Equity | 54.2% | 8.0% | 6.7% | 17.1% |
| Real Estate | 10.3% | 6.4% | 5.8% | 11.7% |
| Private Equity | 11.1% | 10.8% | 8.1% | 25.7% |
| Strategic Investments | 4.4% | 5.5% | 5.3% | 6.9% |

Pension plan fiduciary net position.

Notes to the Financial Statements

June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS financial report.

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

| | BUDGETED AMOUNTS | | | |
|--|------------------|--------------|-------------------|-------------------------------|
| | Original | Final | Actual Amounts | Variance with Final Budget |
| Revenues | | | | |
| State Revenue: | | | | |
| Florida Education Finance Program | \$ 1,305,550 | \$ 1,378,240 | \$ 1,378,240 | \$ -- |
| Other State Revenues | -- | 182,210 | 182,210 | -- |
| Local Revenue: | | | | -- |
| Extended Day Child Care Fees | 22,000 | 45,678 | 45,678 | -- |
| Other Local Revenues | 10,150 | 5,511 | 5,511 | -- |
| Total Revenues | 1,337,700 | 1,611,639 | 1,611,639 | -- |
| Expenditures and Changes in Fund Balances | | | | |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 1,048,664 | 1,169,944 | 1,169,944 | -- |
| Instructional Support Services | 86,657 | 109,443 | 109,443 | -- |
| General Support | 354,012 | 394,079 | 394,079 | -- |
| Community Service | 29,131 | 34,170 | 34,170 | -- |
| Total Expenditures | 1,518,464 | 1,707,636 | 1,707,636 | -- |
| Excess of Revenues Over (Under)Expenditures | (180,764) | (95,997) | (95,997) | -- |
| Net Change in Fund Balance | (180,764) | (95,997) | (95,997) | -- |
| Fund Balances, July 1, 2019 | 80,695 | 411,247 | 411,247 | -- |
| Fund Balances, June 30, 2020 | \$ (100,069) | \$ 315,250 | \$ 315,250 | \$ -- |

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. A final budget amendment is made so that final budgeted amounts agree to actual amounts. The fund is the legal level of control.

Budgetary Comparison Schedule – Special Revenue Fund

For the Year Ended June 30, 2021

Marion Charter School

A Component Unit of the Marion County District School Board

| | <u>BUDGETED AMOUNTS</u> | | <u>Actual Amounts</u> | <u>Variance with Final Budget</u> |
|--|-------------------------|----------------------|---------------------------|---------------------------------------|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Federal through State: Title I Grant | <u>\$ 75,052</u> | <u>\$ 75,052</u> | <u>\$ 75,052</u> | <u>\$ --</u> |
| Total Revenues | <u>75,052</u> | <u>75,052</u> | <u>75,052</u> | <u>--</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction | 74,106 | 74,106 | 74,106 | -- |
| Instructional Support Services | <u>946</u> | <u>946</u> | <u>946</u> | <u>--</u> |
| Total Expenditures | <u>75,052</u> | <u>75,052</u> | <u>75,052</u> | <u>--</u> |
| Excess of Revenues Over (Under)Expenditures | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Fund Balances, July 1, 2020 | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| Fund Balances, June 30, 2021 | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. A final budget amendment is made so that final budgeted amounts agree to actual amounts. The fund is the legal level of control.

Schedule of School's Proportionate Share of the Net Pension Liability – Last 10 Fiscal Years
For the Year Ended June 30, 2021
Marion Charter School

A Component Unit of the Marion County District School Board

Florida Retirement System

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|-------------|-------------|--------------|--------------|-------------|-------------|-------------|
| Proportion of the net pension liability (asset) | .001820491% | .001943397% | 0.001858914 | 0.001834465 | 0.001769210% | 0.001661418% | .001764832% | | |
| Proportionate share of the net pension liability (asset) | \$788,859 | \$669,279 | \$ 559,726 | \$ 542,622 | \$ 446,727 | \$214,594 | \$107,681 | | |
| Covered-employee payroll | \$1,071,632 | \$1,021,085 | \$ 960,074 | \$ 932,382 | \$ 889,856 | \$777,106 | \$754,155 | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 73.63% | 65.55% | 58.32% | 58.19% | 50.20% | 27.61% | 14.28% | | |
| Plan fiduciary net position as a percentage of the total pension liability | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% | 96.09% | | |

Health Insurance Subsidy Program

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|--|-------------|-------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Proportion of the net pension liability (asset) | .003084130% | .003245391% | 0.002944916% | 0.002925162% | 0.002866779% | 0.002561490% | .002628726% | | |
| Proportionate share of the net pension liability (asset) | \$376,567 | \$362,940 | \$ 311,695 | \$ 312,772 | \$ 334,111 | \$261,232 | \$245,792 | | |
| Covered-employee payroll | \$1,071,632 | \$1,021,085 | \$ 960,074 | \$ 932,382 | \$ 889,856 | \$777,106 | \$754,155 | | |
| Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 35.14% | 35.54% | 32.47% | 33.55% | 37.55% | 33.62% | 32.59% | | |
| Plan fiduciary net position as a percentage of the total pension liability | 3.00% | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% | | |

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no factors that have had a significant effect on amounts reported.

Schedule of School's Contributions – Last 10 Fiscal Years
For Year Ended June 30, 2021
Marion Charter School

A Component Unit of the Marion County District School Board

Florida Retirement System

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Required contribution | \$ 89,296 | \$ 72,335 | \$ 72,036 | \$ 61,065 | \$ 55,668 | \$ 50,931 | \$40,507 | \$38,657 | |
| Contributions in relation to the required contribution | (89,296) | (72,335) | (72,036) | (61,065) | (55,668) | (50,931) | (40,507) | (38,657) | |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ - | \$ - | \$ -- | |
| Covered-employee payroll | \$1,073,272 | \$1,071,633 | \$1,021,085 | \$960,074 | \$932,382 | \$889,856 | \$777,106 | \$754,155 | |
| Contributions as a percentage of covered-employee payroll | 8.32% | 6.75% | 7.05% | 6.36 | 5.97% | 5.72% | 5.21% | 5.13% | |

Health Insurance Subsidy Program

| | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Required contribution | \$ 17,816 | \$ 17,789 | \$ 17,153 | \$ 15,937 | \$ 15,478 | \$14,772 | \$9,792 | \$9,005 | |
| Contributions in relation to the required contribution | (17,816) | (17,789) | (17,153) | (15,937) | (15,478) | (14,772) | (9,792) | (9,005) | |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ - | \$ -- | |
| Covered-employee payroll | \$1,073,272 | \$1,071,633 | \$1,021,085 | \$960,074 | \$932,832 | \$889,856 | \$777,106 | \$754,155 | |
| Contributions as a percentage of covered-employee payroll | 1.66% | 1.66% | 1.68% | 1.66% | 1.66% | 1.66% | 1.26% | 1.19% | |

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no significant trends in the amounts reported.

Price & Associates Certified Public Accountants, LLC

9800 4th Street North, Suite 200 St. Petersburg, Florida 33702 TEL: 727-937-3116 FAX: 407-339-1087 www.pricebussolutions.com

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 13, 2021

To the Board of Directors
Marion Charter School, Inc.

We have audited the financial statements of Marion Charter School, Inc. (the School) for the year ended June 30, 2021, and have issued our report thereon dated August 13, 2021. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated January 23, 2021. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

Accounting Policies. Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There are no estimates that are particularly sensitive.

Disclosures. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There are no disclosures that are particularly sensitive.

Corrected and Uncorrected Misstatements. Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There are no corrected or uncorrected misstatements.

Our Working Relationship with Management

Difficulties Encountered in Performing the Audit. We encountered no difficulties in dealing with management in performing and completing our audit.

Disagreements with Management. For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations. We have requested certain representations from management that are included in the management representation letter.

Management Consultations with Other Independent Accountants. In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Consultations Prior to Engagement. We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

* * * * *

This information is intended solely for the use of management and the Board of Directors of the School and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Price & Associates Certified Public Accountants, LLC

St. Petersburg, Florida

Price & Associates Certified Public Accountants, LLC

9800 4th Street North, Suite 200 St Petersburg, Florida 33702 TEL: 727-937-3116 FAX: 407-339-1087 www.pricebussolutions.com

MANAGEMENT LETTER

To the Board of Directors,
Marion Charter School, Inc.

Report on the Financial Statements. We have audited the financial statements of Marion Charter School, Inc. (the School), as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated August 13, 2021.

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

Other Reporting Requirements. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated August 13, 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. The School had no findings in the prior year.

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 Marion Charter School, Inc. and the school code assigned by the Florida Department of Education is 55-0012.

Financial Condition.

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

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

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 Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter. Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies if any, the Board of Directors, applicable management, and the Marion County District School Board and is not intended to be and should not be used by anyone other than these specified parties.

* * * * *

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

Price & Associates Certified Public Accountants, LLC

August 13, 2021

Price & Associates Certified Public Accountants, LLC

9800 4th Street North, Suite 200 St Petersburg, Florida 33702 TEL: 727-937-3116 FAX: 407-339-1087 www.pricebussolutions.com

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

To the Board of Directors,
Marion Charter School, Inc.

We have audited, 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, the financial statements of the governmental activities and each major fund of Marion Charter School, Inc. (the School), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 13, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School'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 were not 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.

* * * * *

As required by the Rules of the Auditor General of the State of Florida, we noted certain matters that we reported to management of the School in the management letter dated August 13, 2021.

Price & Associates Certified Public Accountants, LLC

August 13, 2021