

Walton Academy, Inc.

BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2021

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Walton Academy, Inc.
DeFuniak Springs, 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 Walton Academy, Inc. (the "School"), a component unit of the Walton County School District, 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 the School, as of June 30, 2021, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

As described in Note A-1, the accompanying financial statements referred to above present only the financial position of the School at June 30, 2021, and the results of its operations for the year then ended, and is not intended to be a complete presentation of the District.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, 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 September 14, 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.

 McDonald CPA Solutions, PA

September 14, 2021
Rockledge, Florida

Management's Discussion and Analysis

As management of Walton Academy (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Since the information contained in the Management's Discussion and Analysis ("MD&A") is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the basic financial statements, as listed in the table of contents.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the most recent fiscal year by \$257,822.
- The School's total net position increased by \$349,397.
- As of the close of the current fiscal year, the School's governmental funds reported combined ending fund balance of \$824,272.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$626,173.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements.

The School as a Whole

The information in the government-wide financial statements includes all assets and liabilities using the accrual basis of accounting (and reports depreciation on capital assets), which is similar to the basis of accounting used by most private-sector companies.

The change in net position (liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resource) over time is one indicator of whether the School's financial health is improving or deteriorating. However, one needs to consider other nonfinancial factors in making an assessment of the School's health, such as changes in enrollment, changes in the State's funding of educational costs, changes in the economy, etc., to assess the overall health of the School.

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

The statement of net position presents information on all of the School's assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the School that are principally supported by District, State, and Federal funding (governmental activities). Basic instruction, exceptional instruction, and school administration are examples of the School's governmental activities.

The government-wide financial statements include only the School itself, which is a component unit of the Walton County School District, Florida. The Walton County School District, Florida includes the operation of the School as a component unit in their operations.

The governmental-wide financial statements can be found listed on the table of contents of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the

government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. The School maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. The general fund and capital outlay fund are considered to be major funds. The basic governmental fund financial statements can be found listed on the table of contents in this report. The School adopts an annual appropriated budget. A budgetary comparison statement has been provided to demonstrate compliance with this budget and can be found listed in the table of contents in this report.

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a school's financial position. In the case of the School, assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$257,822 as of the year ended June 30, 2021 and liabilities plus deferred inflows of resources exceeded assets plus deferred outflows of resources by \$91,575 as of the year ended June 30, 2020.

A portion of the School's net position is a negative unrestricted balance. Another portion of the net position reflects its net investment in capital assets (e.g., land, buildings, improvements other than buildings, furniture, fixtures and equipment, and motor vehicles). The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The net investment in capital assets totaled \$220,945 at June 30, 2021.

Comparison of the condensed statements of net position and the statements of activities are provided below:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
ASSETS			
Current assets	\$ 855,655	\$ 575,695	\$ 279,960
Capital assets, net	<u>220,945</u>	<u>242,856</u>	<u>(21,911)</u>
Total assets	<u>1,076,600</u>	<u>818,551</u>	<u>258,049</u>
Deferred outflows of resources	<u>429,122</u>	<u>430,662</u>	<u>(1,540)</u>
LIABILITIES			
Current liabilities	31,383	230,113	(198,730)
Noncurrent liabilities	<u>1,126,100</u>	<u>1,024,125</u>	<u>101,975</u>
Total liabilities	<u>1,157,483</u>	<u>1,254,238</u>	<u>(96,755)</u>
Deferred inflows of resources	<u>90,417</u>	<u>86,550</u>	<u>3,867</u>
NET POSITION			
Net investment in capital assets	220,945	242,856	(21,911)
Restricted	198,099	143,001	55,098
Unrestricted	<u>(161,222)</u>	<u>(477,432)</u>	<u>316,210</u>
Total net position	<u>\$ 257,822</u>	<u>\$ (91,575)</u>	<u>\$ 349,397</u>

The increase in current assets is mostly due to cash increase from collections and amounts due from other agencies. The decrease in capital assets, net is due to current year depreciation. The changes in deferred outflows and inflows of resources are due to the changes in assumptions, experience, investments, employer specific changes and subsequent contributions to the measurement date. The decrease in current liabilities is mainly due to paycheck protection program loan forgiveness. The increase in noncurrent liabilities is due to the increase in pension liabilities. Unrestricted net position increased mainly due to revenue exceeding expenses.

Changes in the School's revenues were as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Revenues			
Program revenues			
Operating grants and contributions	\$ 161,605	\$ 124,710	\$ 36,895
Capital grants and contributions	124,934	100,915	24,019
General revenues	<u>1,566,557</u>	<u>1,339,931</u>	<u>226,626</u>
Total revenues	<u>\$ 1,853,096</u>	<u>\$ 1,565,556</u>	<u>\$ 287,540</u>

The changes in revenues is due to state funding for teacher salary allocations, elementary and secondary school emergency relief funds provided through the coronavirus aid, relief, and economic security act, increased FEFP revenues and FEFP transfers, and capital outlay funding counterbalanced by decreases in lead teacher funds, best and brightest awards and safety and security funds.

Changes in the School's expenses were as follows:

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
Basic instruction	\$ 789,108	\$ 759,569	\$ 29,539
Psychological services	86,093	82,181	3,912
Staff development	150	82	68
Board	10,042	14,279	(4,237)
General administration	-	457	(457)
School administration	355,344	317,965	37,379
Facilities	86,725	115,849	(29,124)
Fiscal services	151,069	146,964	4,105
Staff services	143,359	147,671	(4,312)
Transportation	8,076	7,929	147
Operation of plant	90,193	99,554	(9,361)
Maintenance of plant	-	45	(45)
Administrative technology	-	11,983	(11,983)
Total expenses	<u>1,720,159</u>	<u>1,704,528</u>	<u>15,631</u>
Change in net position	<u>132,937</u>	<u>(138,972)</u>	<u>271,909</u>
Net position at July 1, 2020	<u>(91,575)</u>	<u>47,397</u>	<u>(138,972)</u>
Net position at June 30, 2021	<u>\$ 41,362</u>	<u>\$ (91,575)</u>	<u>\$ 132,937</u>

The increase in basic instruction and school administration is mostly due to increases in salaries corresponding to state funding for teacher salary allocations, capital outlay purchases, and purchased services. Facilities decreased primarily due to decreases in salary expenses. Administrative technology decreased related to the school having no purchased services costs in the 2021 year.

Financial Analysis of the Governmental Funds

As previously noted, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the School's governmental funds reported a combined ending fund balance of \$824,272. Of those funds, the general fund is the chief operating fund which included a total amount \$626,173 of unassigned fund balance, which is the amount available for spending at the School's discretion.

General Fund Budgetary Highlights

Actual revenues exceeded budgeted revenues by \$149,305 while budgeted expenditures exceeded actual expenditures by \$20,015.

The budgetary information can be found listed on the table of contents in this report.

Capital Asset and Debt Administration

Capital Assets. The School's net investment in capital assets for its governmental type activities as of June 30, 2021 amounts to \$220,945 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, furniture, fixtures and equipment, and motor vehicles.

Debt and Long-Term Liabilities. At the end of the current fiscal year, the School had an outstanding net pension liability of \$1,126,100 for employee's pension in the Florida Retirement System.

Economic Factor

A majority of the School's funding is determined by the number of enrolled students. The School is forecasting enrollment to be 155 students for the 2021/2022 school year comparative to the 160 students for the 2020/2021.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Walton Academy, 389 Dorsey Avenue, DeFuniak Springs, FL 32435.

Walton Academy, Inc.
STATEMENT OF NET POSITION
June 30, 2021

ASSETS

CURRENT ASSETS

Cash	\$ 765,340
Accounts receivable	83,038
Due from related party	5,473
Deposits	<u>1,804</u>
Total current assets	<u>855,655</u>

CAPITAL ASSETS

Capital assets not being depreciated:	
Land	13,413
Capital assets, net of accumulated depreciation:	
Buildings	139,383
Improvements other than buildings	58,581
Furniture, fixtures and equipment	1,168
Motor vehicles	<u>8,400</u>
Total capital assets, net	<u>220,945</u>
Total assets	<u>1,076,600</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred assumptions, contributions, and experience	<u>429,122</u>
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LIABILITIES AND NET POSITION

LIABILITIES

Accounts payable	19,044
Accrued payroll liabilities	8,480
Due to other governments	3,859
Noncurrent liabilities:	
Net pension liability	<u>1,126,100</u>
Total liabilities	<u>1,157,483</u>

DEFERRED INFLOWS OF RESOURCES

Deferred change in proportion (NPL), contributions, experience, and investments	90,417
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NET POSITION

Net investment in capital assets	220,945
Restricted for:	
Capital outlay	198,099
Unrestricted	<u>(161,222)</u>
Total net position	<u><u>\$ 257,822</u></u>

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

Walton Academy, Inc.
STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
Governmental Activities:					
Basic instruction	\$ 789,108	\$ -	\$ 161,605	\$ -	\$ (627,503)
Psychological services	86,093	-	-	-	(86,093)
Staff development	150	-	-	-	(150)
Board	10,042	-	-	-	(10,042)
School administration	355,344	-	-	-	(355,344)
Facilities	86,725	-	-	124,934	38,209
Fiscal services	151,069	-	-	-	(151,069)
Staff services	143,359	-	-	-	(143,359)
Transportation	8,076	-	-	-	(8,076)
Operation of plant	90,193	-	-	-	(90,193)
Total governmental activities	<u>\$ 1,720,159</u>	<u>\$ -</u>	<u>\$ 161,605</u>	<u>\$ 124,934</u>	<u>(1,433,620)</u>
General revenues:					
Florida education finance program					1,530,265
Other revenues					<u>36,292</u>
Total general revenues					1,566,557
PPP loan forgiveness					<u>216,460</u>
Total revenues					<u>1,783,017</u>
Change in net position					349,397
Net position at July 1, 2020					<u>(91,575)</u>
Net position at June 30, 2021					<u>\$ 257,822</u>

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

Walton Academy, Inc.
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 765,340	\$ -	\$ -	\$ 765,340
Accounts receivable	83,038	-	-	83,038
Due from related party	5,473	-	-	5,473
Deposits	1,804	-	-	1,804
Due from other funds	-	198,099	-	198,099
Total assets	<u>\$ 855,655</u>	<u>\$ 198,099</u>	<u>\$ -</u>	<u>\$ 1,053,754</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 19,044	\$ -	\$ -	\$ 19,044
Accrued payroll liabilities	8,480	-	-	8,480
Due to other governments	3,859	-	-	3,859
Due to other funds	198,099	-	-	198,099
Total liabilities	<u>229,482</u>	<u>-</u>	<u>-</u>	<u>229,482</u>
FUND BALANCES				
Restricted for capital outlay	-	198,099	-	198,099
Unassigned	626,173	-	-	626,173
Total fund balances	<u>626,173</u>	<u>198,099</u>	<u>-</u>	<u>824,272</u>
Total liabilities and fund balances	<u>\$ 855,655</u>	<u>\$ 198,099</u>	<u>\$ -</u>	<u>\$ 1,053,754</u>

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

Walton Academy, Inc.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
For the year ended June 30, 2021

Total Fund Balance - Governmental Funds		\$ 824,272
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds. Those assets consist of:		
Capital assets	\$ 772,651	
Accumulated depreciation	<u>(551,706)</u>	220,945
Deferred outflows and inflows or resources related to pensions are applicable to future periods and, therefore, are not reported in the funds		
Deferred outflows of resources	\$ 429,122	
Deferred inflows of resources	<u>(90,417)</u>	338,705
Noncurrent liabilities are not due and payable in the current period and therefore are not reported in the funds.		(1,126,100)
Net Position of Governmental Activities		<u><u>\$ 257,822</u></u>

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

Walton Academy, Inc.
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES –GOVERNMENTAL FUNDS
For the year ended June 30, 2021

	General Fund	Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Federal passed through state and local	\$ 53,062	\$ -	\$ 108,543	\$ 161,605
State passed through local school district	1,530,265	124,934	-	1,655,199
Other revenues	36,292	-	-	36,292
Total revenues	1,619,619	124,934	108,543	1,853,096
Expenditures				
Current:				
Basic instruction	535,797	-	108,543	644,340
Psychological services	92,850	-	-	92,850
Staff development	150	-	-	150
Board of directors	10,042	-	-	10,042
School administration	382,186	-	-	382,186
Facilities	821	56,336	-	57,157
Fiscal services	151,069	-	-	151,069
Staff services	143,359	-	-	143,359
Transportation	5,276	-	-	5,276
Operation of plant	90,937	-	-	90,937
Capital outlay	-	13,500	-	13,500
Total expenditures	1,412,487	69,836	108,543	1,590,866
Excess of revenues over expenditures	207,132	55,098	-	262,230
Other financing sources and (uses)				
PPP loan forgiveness	216,460	-	-	216,460
Total other financing sources	216,460	-	-	216,460
Net change in fund balance	423,592	55,098	-	478,690
Fund balances at July 1, 2020	202,581	143,001	-	345,582
Fund balances at June 30, 2021	\$ 626,173	\$ 198,099	\$ -	\$ 824,272

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

Walton Academy, Inc.
RECONCILIATION OF THE STATEMENT REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES –GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the year ended June 30, 2021

Net Change in Fund Balances - Governmental Funds	\$	478,690
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The change in net position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense. This and the net effect of various other transactions involving capital assets increased net position.

Capital outlay	\$	13,500	
Provision for depreciation		(35,411)	(21,911)

Some expenses reported in the Statement of Activities require the use of current financial resources and, therefore, are reported as expenditures in governmental funds.

Decrease in pension expense		(107,382)
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Change in Net Position - Governmental Activities	\$	349,397
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The accompanying notes are an integral part of this financial statement.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

Walton Academy (the “School”), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The Charter School provides educational services to students at-risk in grades six through twelve. The governing body of the School is the Board of Directors, which is composed of four members.

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, which is the Walton County School District, Florida (the “District”). The current charter is effective until June 30, 2025, and may be renewed in increments of five years by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the Walton County District School Board. The financial information presented is that of Walton Academy only.

2. Government-wide and fund financial statements

The government-wide financial statements consist of a statement of net position and a statement of activities. These statements report information on all of the nonfiduciary activities of the School. As part of the consolidation process, all interfund activities are eliminated from these statements. Both statements report only governmental activities as the School does not engage in any business type activities.

Net position, the difference between assets, liabilities, and deferred outflows/inflows of resources, as presented in the statement of net position, is subdivided into three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net position is reported as restricted when constraints are imposed on the use of the amounts either externally by creditors, grantors, contributors, laws or regulations of other governments, or enabling legislation.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

The statement of activities presents a comparison between the direct and indirect expenses of a given function and its program revenues, and displays the extent to which each function contributes to the change in net position for the fiscal year. Direct expenses are those that are clearly identifiable to a specific function.

Indirect expenses are costs the School has allocated to various functions. Program revenues consist of charges for services, operating grants and contributions, and capital grants and contributions.

Charges for services refer to amounts received from those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment. Grants and contributions consist of revenues that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenues.

Separate fund financial statements report detailed information about the School's governmental funds. The focus of the governmental fund financial statements is on major funds. Therefore, major funds are reported in separate columns on the fund financial statements. Two of the School's funds were deemed major funds. A reconciliation is provided that converts the results of governmental fund accounting to the government-wide presentation.

3. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized in the period earned and expenses are recognized when a liability is incurred.

All governmental fund financial statements are reported using a current financial resources measurement focus on a modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues, except for certain grant revenues, are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Available means collectible within the current period, or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within sixty days of the current fiscal period.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for federal, state, and other grant resources, revenue is recognized at the time the expenditure is made.

Under the modified accrual basis of accounting, expenditures are generally recorded when the related fund liability is incurred. However, principal and interest on general long-term debt are recorded as expenditures only when payment is due.

The School's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. Accordingly, the financial statements are organized on the basis of funds. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund equity, revenues, expenditures and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The School reports the following major governmental funds:

General Fund – is the general operating fund of the School and is used to account for all resources not required to be accounted for in another fund.

Capital Outlay Fund – in accordance with guidelines established by the Walton County District School Board. This fund accounts for all resources for the leasing or acquisition of capital facilities by the School to the extent funded by capital outlay funds.

4. Cash

Cash consists of cash on hand at the School and checking accounts held at a financial institution. The School has no cash equivalents.

5. Receivables

The School's receivables consist of receivables from service programs and amounts due from other agencies. After reviewing the individual account balances, the School's management has determined, based on prior experience, that 100% of receivables are fully collectible. Therefore, no allowance for doubtful accounts has been provided.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Interfund activity

Activity between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. At the end of the year, the general fund owed the capital outlay fund \$198,099.

7. Capital assets

Capital assets are reported in the applicable governmental columns on the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of more than \$1,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their estimated fair market values at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	9
Improvements other than buildings	5-15
Furniture, fixtures and equipment	5-9
Motor vehicles	5

8. Revenue sources

Revenues for current operations are received primarily from the State of Florida passed through the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the School reports the number of full-time equivalent ("FTE") students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes the District reports the number of FTE students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and actual weighted FTE students reported by the School during designated FTE student survey periods.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Revenue sources (continued)

The School receives federal awards for the enhancement of various educational programs. This assistance is generally based on applications submitted to and approved by various granting agencies. These federal awards may have requirements whereby the issuance of grant funds is withheld until qualifying eligible expenditures are incurred. Revenues for these awards are recognized only to the extent that eligible expenditures have been incurred.

Additionally, other revenues may be derived from various fundraising activities and certain other programs.

9. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

10. Income taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law.

The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position.

Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. federal jurisdiction.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

11. Fund balance classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable fund balance – amounts that are not spendable (such as inventory and prepaid expenses) or are required to be maintained intact.

Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

Committed fund balance – amounts constrained to specific purposes by the School itself, using its highest level of decision-making authority (i.e., Board of Directors). To be reported as committed, amounts cannot be used for any other purpose unless the School takes the same highest level action to remove or change the constraint.

Assigned fund balance – amounts the School intends to use for a specific purpose. Intent can be expressed by the Board of Directors or by an official or body to which the Board of Directors delegates the authority.

Unassigned fund balance – amounts that are available for any purpose. No other fund except the General Fund can report positive amounts of unassigned fund balance.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

12. Budget

An operating budget is adopted and maintained by the governing board of the School pursuant to the requirements of Florida Statutes. The budget is adopted using the same basis of accounting that is used in the preparation of the basic financial statements.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE B – CASH

Cash is made up of deposits and cash on hand totaling \$765,340 at June 30, 2021. The School's deposits must be placed with a financial institution designated by the Treasurer of the State of Florida as a "qualified public depository", as defined in Chapter 280, Florida Statutes. The School deposits are held with a qualified depository and are covered by the collateral pool as the School has identified itself as a public entity. As of June 30, 2021, \$505,174 of the School's balances held were exposed to custodial credit risk.

NOTE C – CAPITAL ASSETS

Changes in capital assets activity were as follows:

	Balance at July 1, 2020	Additions	Deletions	Balance at June 30, 2021
Capital assets not depreciated:				
Land	\$ 13,413	\$ -	\$ -	\$ 13,413
Total capital assets not depreciated	<u>13,413</u>	<u>-</u>	<u>-</u>	<u>13,413</u>
Capital assets depreciated:				
Buildings	367,734	-	-	367,734
Improvements other than buildings	321,716	13,500	-	335,216
Furniture, fixtures and equipment	42,288	-	-	42,288
Motor vehicles	14,000	-	-	14,000
Total capital assets depreciated	<u>745,738</u>	<u>13,500</u>	<u>-</u>	<u>759,238</u>
Less accumulated depreciation:				
Buildings	203,535	24,816	-	228,351
Improvements other than buildings	269,299	7,336	-	276,635
Furniture, fixtures and equipment	40,661	459	-	41,120
Motor vehicles	2,800	2,800	-	5,600
Total accumulated depreciation	<u>516,295</u>	<u>35,411</u>	<u>-</u>	<u>551,706</u>
Total capital assets, net	<u>\$ 242,856</u>	<u>\$ (21,911)</u>	<u>\$ -</u>	<u>\$ 220,945</u>

Depreciation expense for the year ended June 30, 2021 was charged to functions of the School as follows:

Basic instruction	\$ 1,322
Facilities	31,289
Transportation	<u>2,800</u>
	<u>\$ 35,411</u>

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE D – CONCENTRATIONS

As stated in Note A-8, the School receives revenues for current operations primarily from the State of Florida through the local school district.

The following is a schedule of revenue sources and amounts:

Revenue sources passed through the School Board of Walton County, Florida	
FTE funding	\$ 1,397,366
FEFP transfers	112,877
Teachers' raises by state	16,859
FFCRA payroll liability refund	9,094
Lead teachers' funds	<u>3,163</u>
Total from local school district	1,539,359
Federal through local	43,968
Capital outlay	124,934
Title 1	108,543
Interest	650
Donations	24,515
Uniforms	410
Miscellaneous revenue	468
E-rate	<u>10,249</u>
	<u>\$ 1,853,096</u>

NOTE E – COMMITMENT AND CONTINGENCIES

1. Operating leases

On August 16, 2018, the Charter holder entered into an addendum to a third-party non-cancelable lease agreement, originally dated August 7, 2013, for a modular classroom unit. The lease requires monthly payments of \$410 and expires August 5, 2019 with a month to month renewal. The current month to month payment is \$730.

On May 26, 2015, the School entered into an extension to a third-party non-cancelable lease agreement, originally dated May 29, 2012, for two modular classroom units. The lease requires monthly payments of \$237 and expires July 9, 2019. The School has extended the lease with a month to month renewal with current payments of \$276.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE E – COMMITMENT AND CONTINGENCIES (Continued)

1. Operating leases (continued)

On June 20, 2018, the School entered into a third-party non-cancelable lease agreement, for a modular classroom. The lease requires monthly payments of \$1,282 and expires August 23, 2021. The School has extended the lease with a month to month renewal with current payments of \$1,945.

The School entered into a non-cancelable lease for equipment, commencing on November 6, 2015. The School has extended the lease with a month to month renewal. The term of the lease is \$281 monthly for 60 months.

Rent expense for the year ended June 30, 2021 was \$42,362. The following is a schedule of future minimum lease payments for the years ending June 30:

2022	\$	3,372
2023		3,307
2024		2,592
2025		2,592
Thereafter		<u>216</u>
	\$	<u><u>12,079</u></u>

2. Management agreement

As of July 8, 2015, the School entered into a management agreement with a third party ("Management Company") to provide financial, human resources and administration related assistance to the School at a fee which the School's Board shall approve annually and shall be part of the annual and amended budget (See Note H-1). The agreement will remain in effect during the current term and subsequent terms of the charter contract between the School and Walton County School District, unless terminated in accordance with the terms of the contract. Current year management fees charged to operations totaled \$286,550.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING

Florida Retirement System

General Information – Each qualified and participating employee of the School is included in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services. Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”).

As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district with in the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the Web site:

www.dms.myflorida.com/workforce_operations/retirement/publications.

1. Pension description

The pension plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits under the pension plan are computed on the basis of age, average final compensation, and service credit. For pension plan members enrolled before July 1, 2011, regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

1. Pension description (continued)

Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular and Senior Management Service class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with an FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

2. Funding policy

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

2. Funding policy (continued)

These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2019 through June 30, 2020, were as follows: Regular – 6.75%; Senior Management Service - 23.69%; and DROP participants – 12.94%. These employer contribution rates include 1.66% HIS Plan subsidy for the periods July 1, 2019 through June 30, 2020.

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

The School's contributions, including employee contributions, to the pension plan totaled \$75,481 for the fiscal year ended June 30, 2021.

At June 30, 2021, the School reported a liability of \$779,751 for its proportionate share of the Pension Plan's 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 July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2019-2020 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members. At June 30, 2020, the School's proportionate share was 0.001799088 percent, which was a decrease of nine percent from its proportionate share measured as of June 30, 2019.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended June 30, 2021, the School recognized pension expense of \$167,274. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 29,843	\$ -
Change in assumptions	141,160	-
Net difference between projected and actual earnings on Pension Plan investments	46,427	-
Changes in proportion and differences between School Pension Plan contributions and proportionate share of contributions	34,834	42,042
School pension plan contributions subsequent to the measurement date	75,481	-
	<u>\$ 327,745</u>	<u>\$ 42,042</u>

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

The deferred outflows of resources related to the Pension Plan, totaling \$75,481 resulting from School contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Amount
2021	\$ 51,877
2022	72,157
2023	54,748
2024	29,309
2025	2,131
Thereafter	-
	<u>\$ 210,222</u>

4. Actuarial assumptions

The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumption. Applied to all periods included in the measurement:

Inflation	2.4%
Salary increases	3.25%, average, including inflation
Investment rate of return	6.80%, net of pension plan investment Expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

4. Actuarial assumptions (continued)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption for the based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.2%	2.2%	1.2%
Fixed income	19.0%	3.0%	2.9%	3.5%
Global equity	54.2%	8.0%	6.7%	17.1%
Real estate (property)	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%
	<u>100%</u>			
Assumed Inflation - Mean			2.4%	1.7%

5. Discount rate

The discount rate used to measure the total pension liability was 6.80%. The pension 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.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE F – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING (continued)

Florida Retirement System (continued)

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the School's proportionate share of the net pension liability calculated using the discount rate of (6.80%), as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
School's proportionate share of the net pension liability	<u>\$ 1,245,132</u>	<u>\$ 779,751</u>	<u>\$ 391,063</u>

7. Pension plan fiduciary net position

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRD Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

The School reported zero payable for outstanding contributions to the Pension Plan required for the fiscal year ended June 30, 2021.

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY

Health Insurance Subsidy (HIS)

1. Plan description

The HIS plan is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

1. Plan description (continued)

For the fiscal year ended June 30, 2020, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

2. Funding policy

The HIS plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2021, the HIS contribution for the period July 1, 2019 through June 30, 2020 was 1.66%. The School contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The School's contributions to the HIS Plan totaled \$17,453 for the fiscal year ended June 30, 2021.

3. 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 \$346,349 for its proportionate share of the HIS plan's 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 July 1, 2020. The School's proportionate share of the net pension liability was based on the School's 2019-2020 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members. At June 30, 2020, the School's proportionate share was 0.002838095 percent, which was a decrease of (-8.02) percent from its proportionate share measured as of June 30, 2019.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

For the fiscal year ended June 30, 2021, the School recognized pension expense of \$33,042. In addition, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 14,175	\$ 267
Change in assumptions	37,261	20,149
Net difference between projected and actual earnings on pension plan investments	277	-
Changes in proportion and differences between school pension plan contributions and proportionate share of contributions	32,211	27,959
School pension plan contributions subsequent to the measurement date	17,453	-
	<u>\$ 101,377</u>	<u>\$ 48,375</u>

The deferred outflows of resources related to the HIS plan, totaling \$17,453 resulting from School contributions to the HIS plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2022.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

3. Pension, liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS plan will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	Amount
2021	\$ 15,527
2022	13,919
2023	3,812
2024	464
2025	1,459
Thereafter	368
	<u>\$ 35,549</u>

4. Actuarial assumptions

The total pension liability in the July 1, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.40%
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.21%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE G – EMPLOYEE RETIREMENT SYSTEMS COST-SHARING SUBSIDY (continued)

Health Insurance Subsidy (HIS) (continued)

5. Discount rate

The discount rate used to measure the total pension liability was 2.21%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

6. Sensitivity of net pension liability to changes in the discount rate

The following represents the School's proportionate share of the net pension liability calculated using the discount rate of (2.21%), as well as what the School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (1.21%) or one percentage point higher (3.21%) than the current rate:

	1% Decrease (1.21%)	Current Discount Rate (2.21%)	1% Increase (3.21%)
School's proportionate share of the net pension liability	<u>\$ 400,569</u>	<u>\$ 346,527</u>	<u>\$ 302,293</u>

7. Pension plan fiduciary net position

Detailed information regarding the HIS plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

8. Payables to the pension plan

The School reported zero for outstanding contributions to the HIS plan required for the fiscal year ended June 30, 2021.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE H – RELATED PARTY

1. Management company

The management company provides financial, human resource, and administration services based on a contractual arrangement with the School. The management company manages the finances and operations and makes the final determinations regarding policies and contracts (See E-2). Total management fees charged to operations for the year ended June 30, 2021 are \$286,550.

2. Shared operating expenses

The School shares insurance expense with a school operated by the same management company. During the year, the School recorded a receivable in the amount of \$5,473 related to the reimbursement for insurance.

The School also provides educational services under a contract with the Department of Juvenile Justice (“DJJ”) Residential Community Facility in DeFuniak Springs, Florida. Under this contract, the School provides educational personnel and their salaries directly on behalf of the DJJ School which is operated by the same management company. During the year ended June 30, 2020, the School incurred expense on behalf of the DJJ School of \$431,484 and no outstanding receivable at June 30, 2021. Also, the School owed the DJJ an amount of \$3,859 related to 941 refunds.

NOTE I – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the School carries commercial insurance. Under the policy for property insurance, the School’s liability is \$1,000 per occurrence. There have been no significant reductions in insurance coverage during fiscal year 2021. Settled claims resulting for the risks described above have not exceeded the insurance coverage for each of the prior three years.

NOTE J – PAYCHECK PROTECTION PROGRAM LOAN

On May 21, 2020, the School received loan proceeds in the amount of approximately \$216,460 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are guaranteed forgivable by the Small Business Administration (SBA) after eight weeks or twenty four weeks of utilization as long as the School uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight week or twenty four week period.

Walton Academy, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2021

NOTE J – PAYCHECK PROTECTION PROGRAM LOAN (continued)

Any unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. At this time, the School intends the proceeds received have been used for eligible purposes consistent with described conditions and believes it is probable that the SBA will grant the forgiveness in full in accord with the guarantee.

As of June 30, 2021, the School recognized revenue for the forgiveness of the Paycheck Protection Program Loan in the amount of \$216,460, plus accrued interest.

NOTE K – SUBSEQUENT EVENTS

The School has evaluated subsequent events through September 14, 2021, the date which the financial statements were available for issuance; and has determined that no material events occurred that would require additional disclosure in the financial statements except as follows:

The State of Florida issued emergency order 2021-EO-02 for the successful reopening of all state's public schools, and 2021-EO-01, which expended the statewide testing window to ensure that every student can safely complete their state assessments. In addition, the School is subject to the Walton County Health Department requirements. In the event of a coronavirus outbreak within the School, campus classes may be cancelled and students will be required to take classes remotely. The virus could have negative effects on the School's financial position, results of operations and/or cash flows, the specific outcome is not ready determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As of July 7, 2021, the School was forgiven the principal amount of \$214,460, plus accrued interest by the Small Business Administration for the paycheck protection program (PPP) loan.

REQUIRED SUPPLEMENTARY INFORMATION

Walton Academy, Inc.
SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY FLORIDA
RETIREMENT SYSTEM AND HEALTH INSURANCE SUBSIDY
For the year ended June 30, 2021

FLORIDA RETIREMENT SYSTEM

	School's proportion of the net pension liability (asset)	School's proportionate share of the net pension liability (asset)	School's covered- employee payroll	School's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.001799088%	\$ 779,751	\$ 1,054,122	73.97%	78.85%
2019	0.001971851%	679,078	1,001,033	67.84%	82.61%
2018	0.001909773%	575,234	804,384	71.51%	84.26%
2017	0.001967710%	582,035	1,040,894	55.92%	83.89%
2016	0.001704266%	430,329	1,008,902	42.65%	84.88%
2015	0.001350565%	174,444	853,233	20.45%	92.00%
2014	0.001347008%	82,187	676,979	12.14%	96.09%

HEALTH INSURANCE SUBSIDY

	School's proportion of the net pension liability (asset)	School's proportionate share of the net pension liability (asset)	School's covered- employee payroll	School's proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2020	0.002838095%	\$ 346,527	\$ 1,054,122	32.87%	3.00%
2019	0.003085574%	345,245	1,001,033	34.49%	2.63%
2018	0.003104449%	328,578	804,384	40.85%	2.15%
2017	0.003157559%	337,621	1,040,894	32.44%	1.64%
2016	0.002763909%	322,122	1,008,902	31.93%	0.97%
2015	0.002241697%	228,618	853,233	26.79%	0.50%
2014	0.002245976%	210,004	676,979	31.02%	0.99%

See notes to required supplementary information.

Walton Academy, Inc.
SCHEDULE OF SCHOOL PENSION CONTRIBUTIONS FLORIDA RETIREMENT SYSTEM AND
HEALTH INSURANCE SUBSIDY
For the year ended June 30, 2021

FLORIDA RETIREMENT SYSTEM

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2020	\$ 75,481	\$ 75,481	\$ -	\$ 1,054,122	7.16%
2019	59,766	59,766	-	1,001,033	5.97%
2018	61,142	61,142	-	804,384	7.60%
2017	54,427	54,427	-	1,040,894	5.23%
2016	51,224	51,224	-	1,008,902	5.08%
2015	41,561	41,561	-	853,233	4.87%
2014	32,928	32,928	-	676,979	4.86%

HEALTH INSURANCE SUBSIDY

	Contractually required contribution	Contributions in relation to the contractually required contribution	Contribution deficiency (excess)	Covered- employee payroll	Contributions as a percentage of covered- employee payroll
2020	\$ 17,453	\$ 17,453	\$ -	\$ 1,054,122	1.66%
2019	16,355	16,355	-	1,001,033	1.63%
2018	17,134	17,134	-	804,384	2.13%
2017	16,836	16,836	-	1,040,894	1.62%
2016	16,711	16,711	-	1,008,902	1.66%
2015	14,176	14,176	-	853,233	1.66%
2014	8,569	8,569	-	676,979	1.27%

See notes to required supplementary information.

Walton Academy, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – GENERAL FUND
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
FEFP	\$ 1,241,280	\$ 1,279,817	\$ 1,397,366	\$ 117,549
Teacher raises		16,859	16,859	-
FFCRA payroll liability refund		13,000	9,094	(3,906)
CARES allocation	32,494	42,195	43,968	1,773
Lead teacher funds	2,928	3,163	3,163	-
Referral billing	40,000	80,000	112,877	32,877
Interest		600	650	50
Uniforms			410	410
Donations	10,500	23,430	24,515	1,085
Miscellaneous	2,000	1,000	468	(532)
E-Rate	10,250	10,250	10,249	(1)
Total revenues	1,339,452	1,470,314	1,619,619	149,305
Expenditures				
Salaries	625,000	649,359	640,077	9,282
Retirement	62,500	63,250	67,719	(4,469)
Social security	48,000	49,890	48,071	1,819
Group insurance	110,500	110,500	118,390	(7,890)
Worker's compensation	7,510	7,510	4,033	3,477
Unemployment compensation	1,500	2,650	2,359	291
Management fee	288,218	288,218	286,550	1,668
Audit/accounting	8,000	8,000	7,725	275
Computer services	10,000	10,000	-	10,000
SRO	31,475	31,475	29,347	2,128
Curriculum/staff development	-	11,200	11,284	(84)
Professional services - other	500	500	-	500
Insurance	12,500	12,500	14,122	(1,622)
Travel	3,000	3,000	1,245	1,755
Vehicle/maintenance	650	650	667	(17)
Computer repair	-	-	6,238	(6,238)
Inspections/fire extinguisher	650	650	312	338
Lease-copier	4,200	4,200	3,646	554
Rental-miscellaneous	3,000	3,000	1,995	1,005
Postage	2,000	2,000	1,609	391
Phone/internet	20,500	20,500	18,075	2,425
Water/sewer	4,800	4,800	5,642	(842)
Garbage	2,650	2,650	2,386	264
Printing-advertising	1,000	-	-	-
Printing	2,600	-	-	-
Pest control	1,800	1,800	1,247	553
Security monitoring	500	500	180	320
Lawn service	6,695	14,000	14,308	(308)
Misc. non-professional services	7,200	2,200	1,432	768
Elect/gas	35,000	35,000	29,299	5,701
Gas/vehicles	500	500	287	213
Supplies	20,000	36,700	47,654	(10,954)
Instructional material	12,500	4,500	2,170	2,330
Lunches	400	400	707	(307)
Other material and supplies	-	300	496	(196)
Equipment	3,500	3,500	-	3,500
Computer equipment	1,600	4,100	3,755	345
Software	35,000	35,000	35,060	(60)
Fees/miscellaneous	4,000	4,000	2,494	1,506
Auto tags & fess	-	-	16	(16)
Substitutes/temporary	7,500	3,500	1,890	1,610
Total expenditures	1,386,948	1,432,502	1,412,487	20,015
Other financing sources				
PPP loan forgiveness	216,460	216,460	216,460	-
Total other financing sources	216,460	216,460	216,460	-
Net change in fund balance	168,964	254,272	423,592	(169,320)
Fund balance at July 1, 2020	202,581	202,581	202,581	-
Fund balance at June 30, 2021	\$ 371,545	\$ 456,853	\$ 626,173	\$ (169,320)

See notes to required supplementary information.

Walton Academy, Inc.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL – CAPITAL OUTLAY FUND
For the year ended June 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Charter school capital outlay	\$ 95,000	\$ 95,000	\$ 124,934	\$ 29,934
Expenditures				
Salaries	7,500	-	-	-
Retirement	750	-	-	-
Social security	600	-	-	-
Unemployment compensation	150	-	-	-
Insurance	8,678	8,678	8,486	192
Repairs/maintenance	25,000	25,000	4,686	20,314
Repairs/maintenance-other	-	-	121	(121)
Lease-facility	28,200	39,200	42,473	(3,273)
Supplies	1,000	1,000	-	1,000
Computer equipment	5,000	5,000	570	4,430
Improvements other than buildings	1,500	1,500	13,500	(12,000)
Total expenditures	78,378	80,378	69,836	10,542
Net change in fund balance	16,622	14,622	55,098	40,476
Fund balance at July 1, 2020	143,001	143,001	143,001	-
Fund balance at June 30, 2021	\$ 159,623	\$ 157,623	\$ 198,099	\$ 40,476

See notes to required supplementary information.

Walton Academy, Inc.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the year ended June 30, 2021

NOTE A – SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY

1. Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the School is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

2. Fiduciary net position

The FRS and HIS plans' fiduciary net position as a percentage of the total pension liability is published in the FRS Comprehensive Annual Financial Report (See FRS CAFR information).

NOTE B – SCHEDULE OF CONTRIBUTIONS

Ten-year trend

GASB 68 requires information for 10 years. However, until a full 10-year trend is completed, the School is presenting information for only those years for which information is available for the Florida Retirement System (FRS) and the Health Insurance Subsidy (HIS) plans.

NOTE C – BUDGETARY INFORMATION

The School's annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual budgets are adopted for the general and capital outlay funds and may be amended by the School's Board of Directors (the "Board"). The budgets presented for the fiscal year ended June 30, 2021, have been amended according to Board Procedures.

Budgets are presented on the modified accrual basis of accounting. The legal level of budgetary control is the object level.

COMPLIANCE INFORMATION

**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 Directors
Walton Academy, Inc.
DeFuniak Springs, 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 Walton Academy, Inc. (the "School"), a component unit of the Walton County School District, 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 14, 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 statement. 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.

 McDonald CPA Solutions, PA

September 14, 2021
Melbourne, Florida

MANAGEMENT LETTER

To the Board of Directors
Walton Academy, Inc.
DeFuniak Springs, Florida

Report on the Financial Statements

We have audited the financial statements of Walton Academy, Inc. (the "School"), a component unit of the Walton County School District, Florida, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 14, 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 Reports and Schedules

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 the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 14, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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 and the school code assigned by the Department of Education of the entity is Walton Academy, Inc.; 1111.

Financial Condition and Management

Sections 10.854(1)(e)2. And 10.855(11), Rules of the Auditor General, requires 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 review of financial information provided by same.

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

Transparency

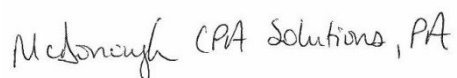
Sections 10.854(1)(e)7, and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with 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 have 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 Directors, applicable School's management, others within the School, and the Walton County School District, and is not intended to be and should not be used by anyone other than these specified parties.

 McDonald CPA Solutions, PA

September 14, 2021
Melbourne, Florida

MANAGEMENT FINDINGS, RECOMMENDATIONS, AND RESPONSES

For the years ended June 30, 2021 and June 30, 2020, there were no audit findings, recommendations, or responses.