

## Waterset Charter School

A Department of Florida Charter Educational  
Foundation, Inc.

(A Component Unit of the School Board of  
Hillsborough County, Florida)

Basic Financial Statements

For the Year Ended June 30, 2021



## **Waterset Charter School**

### **Table of Contents**

---

|   |       |
|---|-------|
| Independent Auditor's Report  | 1-2   |
| Management's Discussion and Analysis (Not Covered by Independent Auditor's Report)  | 3-7   |
| <b>Basic Financial Statements</b>   |       |
| Government-wide Financial Statements:   |       |
| Statement of Net Position   | 8     |
| Statement of Activities   | 9     |
| Fund Financial Statements:  |       |
| Balance Sheet - Governmental Funds  | 10-   |
| Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Position  | 11    |
| Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds  | 12-13 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities  | 14    |
| Statement of Revenues and Expenditures - Budget and Actual - General Fund   | 15    |
| Statement of Revenues and Expenditures - Budget and Actual - Grants Fund  | 16    |
| Notes to Basic Financial Statements   | 17-26 |
| <b>Other Independent Auditor's Reports</b>  |       |
| Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 27-28 |
| Independent Auditor's Report to the Board of Directors  | 29-30 |



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Waterset Charter School  
A Department of Florida Charter Educational Foundation, Inc.  
Apollo Beach, 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 Waterset Charter School (the "School"), a Department of Florida Charter Educational Foundation, Inc. ("FCEF"), and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2021, 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, and budgetary comparison for the General Fund and Grants Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1, the financial statements of the School are intended to present the financial position and change in financial position of only that portion of the governmental activities, each major fund and the aggregate remaining fund information of FCEF that is attributable to the transactions of the School. They do not purport to, and do not, present fairly the financial position of FCEF as of June 30, 2021 and the changes in its financial position or budgetary comparisons, where applicable, for the year ended June 30, 2021 in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## Other Reporting Required by *Government Auditing Standards*

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 30, 2021

# MANAGEMENT'S DISCUSSION AND ANALYSIS



As management of Waterset Charter School (the "School"), a Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, we offer readers of the School's basic financial statements this narrative overview and analysis of the financial activities of the School for the years ended June 30, 2021 and 2020.

Management's discussion and analysis is included at the beginning of the School's basic financial statements to provide, in layman's terms, the current position of the School's financial condition. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements.

### **Financial Highlights**

Our basic financial statements provide these insights into the results of this year's operations.

- As of June 30, 2021, the School's fund balance was \$ 640,230 as compared to \$ 647,624 at June 30, 2020.
- As of June 30, 2021, the School had a net position of \$ 934,813 as compared to \$ 703,220 at June 30, 2020.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**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 inflows/outflows of resources, with the difference between the two 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 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 revenues and services rendered but unpaid).

The government-wide financial statements include all governmental activities that are principally supported by grants and entitlements from the state for full-time equivalent funding. The School does not have any business-type activities. The governmental activities of the School primarily include instruction and instructional support services.

The government-wide financial statements can be found on pages 8 and 9 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 other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**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 balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School'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 governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund 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 in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances. The General Fund, Grants Fund, Capital Project Fund and Debt Service Fund are considered to be the School's major funds.

The School adopts an annual budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund and Grants Fund to demonstrate compliance with the budget.

The governmental fund financial statements can be found on pages 10 through 16 of this report.

**Notes to Basic Financial Statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 through 26 of this report.

### **Government-Wide Financial Analysis**

This is the School's fourth year of operations; therefore, comparative government-wide data is presented. The School's net position was \$ 934,813 at June 30, 2021. This amount represents net investment in capital assets of \$ 346,290, restricted net position of \$ 162,982 and unrestricted net position of \$ 425,541. The School's net position was \$ 703,220 at June 30, 2020. This amount represents net investment in capital assets of \$ 200,131, \$ 150,436 represented restricted net position and \$ 352,653 represented unrestricted net position.

**Waterset Charter School  
Management's Discussion and Analysis  
June 30, 2021**

---

Our analysis in the table below focuses on the net position of the School's governmental activities:

| Waterset Charter School<br>Net Position |                  |                  |
|---|------------------|------------------|
|   | June 30,<br>2021 | June 30,<br>2020 |
| <b>Assets:</b>                          |                  |                  |
| Current and other assets                | \$ 1,159,482     | \$ 992,899       |
| Capital assets, net of depreciation     | 489,617          | 578,321          |
| Total assets                            | 1,649,099        | 1,571,220        |
| <b>Liabilities:</b>                     |                  |                  |
| Current liabilities                     | 702,633          | 703,117          |
| Noncurrent liabilities                  | 11,653           | 164,883          |
| Total liabilities                       | 714,286          | 868,000          |
| <b>Net Position:</b>                    |                  |                  |
| Net investment in capital assets        | 346,290          | 200,131          |
| Restricted                              | 162,982          | 150,436          |
| Unrestricted                            | 425,541          | 352,653          |
| Total net position                      | \$ 934,813       | \$ 703,220       |

Current and other assets increased mainly due to an increase in the School's cash position. Capital assets, net of depreciation decreased due to depreciation expense of \$ 333,000 somewhat offset by asset purchases of \$ 245,000. Current liabilities decreased due to reduction in the School's promissory note payable. Noncurrent liabilities decreased due to payment of the School's capital lease.

**Governmental Activities:** The results of this year's operations for the School as a whole are reported in the statement of activities on page 9. The table below provides a condensed presentation of the School's revenues and expenses for the years ended June 30, 2021 and 2020:

| Waterset Charter School<br>Change in Net Position |                  |                  |
|---|------------------|------------------|
|   | June 30,<br>2020 | June 30,<br>2019 |
| <b>Revenues:</b>                                  |                  |                  |
| General revenues                                  | \$ 8,313,483     | \$ 7,945,349     |
| Program revenues                                  | 1,175,347        | 1,515,893        |
| Total revenues                                    | 9,488,830        | 9,461,242        |
| <b>Functions/Program Expenses:</b>                |                  |                  |
| Instruction                                       | 4,074,957        | 3,931,638        |
| Instructional support services                    | 3,443,725        | 3,272,988        |
| Non-instructional services                        | 1,738,555        | 2,041,558        |
| Total expenses                                    | 9,257,237        | 9,246,184        |
| Change in net position                            | \$ 231,593       | \$ 215,058       |

**Waterset Charter School  
Management's Discussion and Analysis  
June 30, 2021**

---

General revenues increased due to a rise in enrollment and in state source revenues compared to the previous year with the new teacher salary allocation funds. Program revenues decreased compared to last year due to a reduction in before and aftercare revenue. Total expenses increased due to an increase in instructional support services.

**Governmental Fund Expenditures**

In the table below, we have presented the cost of the largest functions/programs as a percentage of total governmental expenditures:

| Functions/Programs  | 2021                |             | 2020                |             |
|---|---------------------|-------------|---------------------|-------------|
|   | Expenditures        | Percent     | Expenditures        | Percent     |
| Governmental expenditures:                                |                     |             |                     |             |
| Instruction   | \$ 3,747,560        | 39%         | \$ 3,496,389        | 39%         |
| Facilities acquisition and construction - facilities rent | 1,519,656           | 16%         | 1,489,859           | 17%         |
| General administration - management fee                   | 1,257,909           | 13%         | 1,379,952           | 15%         |
| Plant operations and maintenance                          | 845,797             | 9%          | 794,273             | 9%          |
| Administrative services                                   | 620,967             | 7%          | 596,610             | 7%          |
| All other functions/programs                              | <u>1,518,793</u>    | <u>16%</u>  | <u>1,197,267</u>    | <u>13%</u>  |
| Total governmental expenditures                           | \$ <u>9,510,682</u> | <u>100%</u> | \$ <u>8,954,350</u> | <u>100%</u> |

**Capital Assets and Debt Administration**

**Capital assets:** At June 30, 2021, the School had capital assets of \$ 489,617, net of accumulated depreciation, invested in furniture, fixtures and equipment, computer equipment, and leasehold improvements as compared to \$ 578,321 at June 30, 2020.

**Debt:** At June 30, 2021, the School had outstanding debt of \$ 153,744 as compared to \$ 497,942 at June 30, 2020. Additional information on the School's debt can be found in Notes 6, 7 and 8 on pages 22 and 23.

**General Fund Budgetary Highlights**

Florida Education Finance Program revenues were favorable to budget due to an increase in enrollment and in state source revenues compared to the previous year with the new teacher salary allocation funds. Food service and aftercare revenues also fell short of budget due to a reduction in overall program participation. Total General Fund revenues were unfavorable to budget by \$ 64,000. Total General Fund expenditures were favorable to budget by \$ 337,000 due to savings in maintenance of plant, operation of plant and community services. Overall, the School ended the year with a change in fund balance that was favorable to the budget by approximately \$ 268,000.

**Economic Factors and Next Year's Budget**

In fiscal year 2021, the State of Florida increased its Florida Education Finance Program (FEFP) base funding to include a teacher salary increase pool of \$ 500 million and mental health initiative allocations. The capital outlay funding pool increased to \$ 169.6 million. A 2% merit increase was paid out to eligible staff.

**Waterset Charter School  
Management's Discussion and Analysis  
June 30, 2021**

---

For fiscal year 2022, the Florida Education Finance Program funding and the capital outlay revenue assumed at a flat rate in comparison to the current rate per student. The teacher salary allocation will continue to be a part of the base FEFP funding. A 2% merit increase for all staff was included in the budget. All other expenditures are budgeted in alignment with enrollment changes and the School's strategic objectives.

**Requests for Information**

If you have questions about this report or need additional information, please contact Myrna Lainé-Hyppolite, Senior Vice President - Finance and School Accounting; Charter Schools USA, 800 Corporate Drive, Suite 700, Fort Lauderdale, Florida 33334.

# BASIC FINANCIAL STATEMENTS

**Waterset Charter School**  
**Statement of Net Position**  
**June 30, 2021**

---

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>Current Assets:</b>  |                                    |
| Cash and cash equivalents                                     | \$ 983,937                         |
| Due from other governments                                    | 45,052                             |
| Other receivables   | 3,249                              |
| Due from related party  | 40,988                             |
| Prepaid items   | 33,206                             |
| Deposits  | <u>53,050</u>                      |
| Total current assets  | 1,159,482                          |
| <b>Noncurrent Assets:</b>                                     |                                    |
| Capital assets (depreciable), net of accumulated depreciation | <u>489,617</u>                     |
| Total assets  | <u>1,649,099</u>                   |
| <b>Current Liabilities:</b>                                   |                                    |
| Accounts payable and accrued liabilities                      | 20,537                             |
| Salaries and wages payable                                    | 462,890                            |
| Accrued interest payable                                      | 371                                |
| Due to management company                                     | 30,133                             |
| Compensated absences  | 34,958                             |
| Capital lease   | 143,327                            |
| Promissory note payable                                       | <u>10,417</u>                      |
| Total current liabilities                                     | <u>702,633</u>                     |
| <b>Noncurrent Liabilities:</b>                                |                                    |
| Compensated absences  | <u>11,653</u>                      |
| Total noncurrent liabilities                                  | <u>11,653</u>                      |
| Total liabilities   | <u>714,286</u>                     |
| <b>Commitments (Note 11)</b>                                  | -                                  |
| <b>Net Position:</b>  |                                    |
| Net investment in capital assets                              | 346,290                            |
| Restricted for extracurricular activities                     | 162,982                            |
| Unrestricted  | <u>425,541</u>                     |
| Total net position  | <u>\$ 934,813</u>                  |

The accompanying notes to basic financial statements are an integral part of these statements.

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

|   | <u>Program Revenues</u> |                                     |   |   | <u>Governmental</u>  |
|---|-------------------------|-------------------------------------|---|---|--|
|   | <u>Expenses</u>         | <u>Charges<br/>for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Activities<br/>Net Revenue<br/>(Expense) and<br/>Change in<br/>Net Position</u> |
| <b>Functions/Programs:</b>  |                         |                                     |   |   |  |
| Instruction   | \$ 4,074,957            | \$ -                                | \$ 11,340   | \$ -  | \$ (4,063,617)   |
| Instruction support services  | 449,227                 | -                                   | 1,021   | -   | (448,206)  |
| Board   | 23,704                  | -                                   | -   | -   | (23,704)   |
| General administration -<br>District administrative fee                                       | 89,661                  | -                                   | -   | -   | (89,661)   |
| General administration -<br>management fee  | 1,257,909               | -                                   | -   | -   | (1,257,909)  |
| Administrative services   | 620,967                 | -                                   | -   | -   | (620,967)  |
| Facilities rent   | 1,519,656               | -                                   | -   | 609,617   | (910,039)  |
| Fiscal services   | 5,354                   | -                                   | -   | -   | (5,354)  |
| Food services   | 237,175                 | 13,443                              | 237,175   | -   | 13,443   |
| Central services  | 4,511                   | -                                   | -   | -   | (4,511)  |
| Operation of plant  | 686,097                 | -                                   | 106,363   | -   | (579,734)  |
| Maintenance of plant  | 167,778                 | -                                   | -   | -   | (167,778)  |
| Community services - childcare<br>or VPK, salaries, benefits,<br>materials and supplies, etc. | 54,817                  | 140,246                             | -   | -   | 85,429   |
| Extracurricular activities  | 39,651                  | -                                   | 56,142  | -   | 16,491   |
| Interest on long-term debt  | 25,773                  | -                                   | -   | -   | (25,773)   |
|   | <u>\$ 9,257,237</u>     | <u>\$ 153,689</u>                   | <u>\$ 412,041</u>                                 | <u>\$ 609,617</u>                               | <u>(8,081,890)</u>   |
| Total governmental<br>activities  |                         |                                     |   |   |  |
| General revenues:   |                         |                                     |   |   |  |
| Grants and entitlements   |                         |                                     |   |   | 8,313,454  |
| Interest income   |                         |                                     |   |   | 6  |
| Miscellaneous   |                         |                                     |   |   | 23   |
| Total general revenues  |                         |                                     |   |   | <u>8,313,483</u>   |
| Change in net position  |                         |                                     |   |   | 231,593  |
| Net position, July 1, 2020, as restated (Note 15)   |                         |                                     |   |   | <u>703,220</u>   |
| Net position, June 30, 2021   |                         |                                     |   |   | <u>\$ 934,813</u>  |

The accompanying notes to basic financial statements are an integral part of these statements.

**Waterset Charter School**  
**Balance Sheet - Governmental Funds**  
**June 30, 2021**

|   | <u>General<br/>Fund</u> | <u>Grants<br/>Fund</u> | <u>Capital<br/>Project<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Nonmajor<br/>Club and<br/>Activities<br/>Fund</u> | <u>Total</u>        |
|---|-------------------------|------------------------|-------------------------------------|----------------------------------|--|---------------------|
| <b>Assets:</b>  |                         |                        |                                     |                                  |  |                     |
| Cash and cash equivalents   | \$ 820,955              | \$ -                   | \$ -                                | \$ -                             | \$ 162,982   | \$ 983,937          |
| Due from other governments  | 1,560                   | 43,492                 | -                                   | -                                | -  | 45,052              |
| Other receivables   | 3,249                   | -                      | -                                   | -                                | -  | 3,249               |
| Due from other funds  | 39,360                  | -                      | -                                   | -                                | -  | 39,360              |
| Due from related party  | 40,988                  | -                      | -                                   | -                                | -  | 40,988              |
| Prepaid items   | 33,206                  | -                      | -                                   | -                                | -  | 33,206              |
| Deposits  | 53,050                  | -                      | -                                   | -                                | -  | 53,050              |
|   | <u>992,368</u>          | <u>43,492</u>          | <u>-</u>                            | <u>-</u>                         | <u>162,982</u>                                       | <u>1,198,842</u>    |
| Total assets  | <u>\$ 992,368</u>       | <u>\$ 43,492</u>       | <u>\$ -</u>                         | <u>\$ -</u>                      | <u>\$ 162,982</u>                                    | <u>\$ 1,198,842</u> |
| <b>Liabilities:</b>   |                         |                        |                                     |                                  |  |                     |
| Accounts payable and accrued liabilities                            | \$ 20,537               | \$ -                   | \$ -                                | \$ -                             | \$ -   | \$ 20,537           |
| Due to other funds  | -                       | 39,360                 | -                                   | -                                | -  | 39,360              |
| Salaries and wages payable  | 462,890                 | -                      | -                                   | -                                | -  | 462,890             |
| Due to management company   | 30,133                  | -                      | -                                   | -                                | -  | 30,133              |
|   | <u>513,560</u>          | <u>39,360</u>          | <u>-</u>                            | <u>-</u>                         | <u>-</u>   | <u>552,920</u>      |
| Total liabilities   | <u>513,560</u>          | <u>39,360</u>          | <u>-</u>                            | <u>-</u>                         | <u>-</u>   | <u>552,920</u>      |
| <b>Deferred Inflows of Resources:</b>                               |                         |                        |                                     |                                  |  |                     |
| Unavailable revenues  | 1,560                   | 4,132                  | -                                   | -                                | -  | 5,692               |
|   | <u>1,560</u>            | <u>4,132</u>           | <u>-</u>                            | <u>-</u>                         | <u>-</u>   | <u>5,692</u>        |
| Total deferred inflows of resources                                 | <u>1,560</u>            | <u>4,132</u>           | <u>-</u>                            | <u>-</u>                         | <u>-</u>   | <u>5,692</u>        |
| <b>Commitments (Note 11)</b>  |                         |                        |                                     |                                  |  |                     |
|   | -                       | -                      | -                                   | -                                | -  | -                   |
| <b>Fund Balances:</b>   |                         |                        |                                     |                                  |  |                     |
| Nonspendable:   |                         |                        |                                     |                                  |  |                     |
| Prepaid items   | 33,206                  | -                      | -                                   | -                                | -  | 33,206              |
| Deposits  | 53,050                  | -                      | -                                   | -                                | -  | 53,050              |
| Restricted for extracurricular activities                           | -                       | -                      | -                                   | -                                | 162,982  | 162,982             |
| Assigned to subsequent year's budget                                | 95,072                  | -                      | -                                   | -                                | -  | 95,072              |
| Unassigned  | 295,920                 | -                      | -                                   | -                                | -  | 295,920             |
|   | <u>477,248</u>          | <u>-</u>               | <u>-</u>                            | <u>-</u>                         | <u>162,982</u>                                       | <u>640,230</u>      |
| Total fund balances   | <u>477,248</u>          | <u>-</u>               | <u>-</u>                            | <u>-</u>                         | <u>162,982</u>                                       | <u>640,230</u>      |
| Total liabilities, deferred inflows of resources, and fund balances | <u>\$ 992,368</u>       | <u>\$ 43,492</u>       | <u>\$ -</u>                         | <u>\$ -</u>                      | <u>\$ 162,982</u>                                    | <u>\$ 1,198,842</u> |

**Waterset Charter School  
 Reconciliation of the Balance Sheet of the Governmental Funds  
 to the Statement of Net Position  
 June 30, 2021**

---

**Total Fund Balances - Governmental Funds** \$ 640,230

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

The cost of capital assets acquired is reported as an expenditure in the governmental funds. The statement of net position includes those capital assets, net of accumulated depreciation, among the assets of the School as a whole.

|                          |    |                    |         |
|--------------------------|----|--------------------|---------|
| Cost of capital assets   | \$ | 1,861,048          |         |
| Accumulated depreciation |    | <u>(1,371,431)</u> | 489,617 |

|   |  |  |       |
|---|--|--|-------|
| Unavailable revenue in the governmental funds is susceptible to full accrual in the government-wide financial statements. |  |  | 5,692 |
|---|--|--|-------|

Liabilities not payable with current available resources are not reported as fund liabilities in the governmental fund statements. All liabilities both current and long-term, are reported in the government-wide statements.

|                          |    |                 |                  |
|--------------------------|----|-----------------|------------------|
| Accrued interest payable | \$ | (371)           |                  |
| Compensated absences     |    | (46,611)        |                  |
| Capital lease            |    | (143,327)       |                  |
| Promissory note payable  |    | <u>(10,417)</u> | <u>(200,726)</u> |

**Net Position of Governmental Activities** \$ 934,813

The accompanying notes to basic financial statements are an integral part of these statements.

**Waterset Charter School**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Governmental Funds**  
**For the Year Ended June 30, 2021**

|   | <u>Account</u> | <u>General Fund</u> | <u>Grants Fund</u> |
|---|----------------|---------------------|--------------------|
| <b>Revenues:</b>  |                |                     |                    |
| Federal through state and local                           | 3200           | \$ -                | \$ 284,875         |
| State sources:  |                |                     |                    |
| Florida Education Finance Program                         | 3310           | 8,313,454           | -                  |
| State capital outlay and debt service                     | 3320           | -                   | -                  |
| Other state revenue                                       | 3330           | 41,831              | 3,045              |
| Food service revenue                                      | 3450           | 13,443              | -                  |
| Childcare revenue   | 3470           | 140,246             | -                  |
| Miscellaneous local source revenue                        | 3490           | 40,635              | -                  |
| Total revenues  |                | <u>8,549,609</u>    | <u>287,920</u>     |
| <b>Expenditures:</b>                                      |                |                     |                    |
| Instruction   | 5000           | 3,747,560           | -                  |
| Instruction support services                              | 6000           | 448,206             | 1,021              |
| Board   | 7100           | 23,704              | -                  |
| General administration - District administrative fee      | 7200.30        | 89,661              | -                  |
| General administration - management fee                   | 7200.31        | 1,257,909           | -                  |
| Administrative services                                   | 7300           | 620,967             | -                  |
| Facilities acquisition and construction                   | 7400           | 244,722             | -                  |
| Facilities acquisition and construction - facilities rent | 7400.36        | 910,039             | -                  |
| Fiscal services   | 7500           | 5,354               | -                  |
| Food services   | 7600           | -                   | 237,175            |
| Central services  | 7700           | 4,511               | -                  |
| Operation of plant  | 7900           | 624,163             | 53,856             |
| Maintenance of plant                                      | 8100           | 167,778             | -                  |
| Community services - childcare or VPK salaries            | 9100           | -                   | -                  |
| benefits, materials and supplies, etc.                    | 9100           | 54,817              | -                  |
| Extracurricular activities                                | 9100           | -                   | -                  |
| Debt service:   |                |                     |                    |
| Principal   | 9200           | -                   | -                  |
| Interest  | 9200           | -                   | -                  |
| Total expenditures  |                | <u>8,199,391</u>    | <u>292,052</u>     |
| Excess (deficiency) of revenues over expenditures         |                | <u>350,218</u>      | <u>(4,132)</u>     |
| <b>Other Financing Sources (Uses):</b>                    |                |                     |                    |
| Transfer out  | 9700           | (374,103)           | -                  |
| Transfer in   | 3640           | -                   | 4,132              |
| Total other financing sources (uses)                      |                | <u>(374,103)</u>    | <u>4,132</u>       |
| Net change in fund balances                               |                | (23,885)            | -                  |
| <b>Fund Balances, July 1, 2020, as restated (Note 15)</b> |                | <u>501,133</u>      | <u>-</u>           |
| <b>Fund Balances, June 30, 2021</b>                       |                | <u>\$ 477,248</u>   | <u>\$ -</u>        |

The accompanying notes to basic financial statements are an integral part of these statements.

| <u>Capital<br/>Project<br/>Fund</u> | <u>Debt<br/>Service<br/>Fund</u> | <u>Nonmajor<br/>Club and<br/>Activities<br/>Fund</u> | <u>Total</u>      |
|-------------------------------------|----------------------------------|--|-------------------|
| \$ -                                | \$ -                             | \$ -   | \$ 284,875        |
| -                                   | -                                | -  | 8,313,454         |
| 609,617                             | -                                | -  | 609,617           |
| -                                   | -                                | -  | 44,876            |
| -                                   | -                                | -  | 13,443            |
| -                                   | -                                | -  | 140,246           |
| -                                   | -                                | 56,142   | 96,777            |
| <u>609,617</u>                      | <u>-</u>                         | <u>56,142</u>  | <u>9,503,288</u>  |
| -                                   | -                                | -  | 3,747,560         |
| -                                   | -                                | -  | 449,227           |
| -                                   | -                                | -  | 23,704            |
| -                                   | -                                | -  | 89,661            |
| -                                   | -                                | -  | 1,257,909         |
| -                                   | -                                | -  | 620,967           |
| -                                   | -                                | -  | 244,722           |
| 609,617                             | -                                | -  | 1,519,656         |
| -                                   | -                                | -  | 5,354             |
| -                                   | -                                | -  | 237,175           |
| -                                   | -                                | -  | 4,511             |
| -                                   | -                                | -  | 678,019           |
| -                                   | -                                | -  | 167,778           |
| -                                   | -                                | -  | 54,817            |
| -                                   | -                                | 39,651   | 39,651            |
| -                                   | 344,198                          | -  | 344,198           |
| -                                   | 25,773                           | -  | 25,773            |
| <u>609,617</u>                      | <u>369,971</u>                   | <u>39,651</u>  | <u>9,510,682</u>  |
| <u>-</u>                            | <u>(369,971)</u>                 | <u>16,491</u>  | <u>(7,394)</u>    |
| -                                   | -                                | -  | (374,103)         |
| -                                   | 369,971                          | -  | 374,103           |
| <u>-</u>                            | <u>369,971</u>                   | <u>-</u>   | <u>-</u>          |
| -                                   | -                                | 16,491   | (7,394)           |
| -                                   | -                                | 146,491  | 647,624           |
| <u>\$ -</u>                         | <u>\$ -</u>                      | <u>\$ 162,982</u>                                    | <u>\$ 640,230</u> |

The accompanying notes to basic financial statements are an integral part of these statements.

**Waterset Charter School  
 Reconciliation of the Statement of Revenues,  
 Expenditures and Changes in Fund Balances of the  
 Governmental Funds to the Statement of Activities  
 For the Year Ended June 30, 2021**

---

**Net Change in Fund Balances - Governmental Fund** \$ (7,394)

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, these costs are allocated over their estimated useful lives as a provision for depreciation.

|                            |                  |          |
|----------------------------|------------------|----------|
| Cost of capital assets     | \$ 244,722       |          |
| Provision for depreciation | <u>(333,426)</u> | (88,704) |

|  |         |
|--|---------|
| Principal payments on long-term debt are reported as expenditures in governmental funds, but as a reduction of long-term liabilities in the statement of net position. | 344,198 |
|--|---------|

|   |          |
|---|----------|
| Revenues that are earned but not received within the availability period are recognized in the statement of activities when earned and subsequently in the governmental fund financial statements when they become available. | (14,458) |
|---|----------|

Certain items reported in the statements of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds.

|                                |                   |                |
|--------------------------------|-------------------|----------------|
| Change in compensated absences | \$ <u>(2,049)</u> | <u>(2,049)</u> |
|--------------------------------|-------------------|----------------|

**Change in Net Position of Governmental Activities** \$ 231,593

The accompanying notes to basic financial statements are an integral part of these statements.

**Waterset Charter School**  
**Statement of Revenues and Expenditures -**  
**Budget and Actual - General Fund**  
**For the Year Ended June 30, 2021**

|  | <u>Account</u> | <u>Original<br/>and Final<br/>Budget</u> | <u>Actual</u>      | <u>Variance</u>   |
|--|----------------|--|--------------------|-------------------|
| <b>Revenues:</b>   |                |  |                    |                   |
| State sources:   |                |  |                    |                   |
| Florida Education Finance Program  | 3310           | \$ 8,142,135                             | \$ 8,313,454       | \$ 171,319        |
| Other state revenue  | 3330           | 104,939                                  | 41,831             | (63,108)          |
| Food service revenue   | 3450           | 43,577                                   | 13,443             | (30,134)          |
| Childcare revenue  | 3470           | 280,621                                  | 140,246            | (140,375)         |
| Miscellaneous local source revenue   | 3490           | 42,312                                   | 40,635             | (1,677)           |
|  |                | <u>8,613,584</u>                         | <u>8,549,609</u>   | <u>(63,975)</u>   |
| Total revenues   |                |  |                    |                   |
| <b>Expenditures:</b>   |                |  |                    |                   |
| Instruction  | 5000           | 3,809,489                                | 3,747,560          | 61,929            |
| Instruction support services   | 6000           | 407,684                                  | 448,206            | (40,522)          |
| Board  | 7100           | 28,548                                   | 23,704             | 4,844             |
| General administration - District<br>administrative fee                                      | 7200.30        | 88,501                                   | 89,661             | (1,160)           |
| General administration - management<br>fee   | 7200.31        | 1,257,909                                | 1,257,909          | -                 |
| Administrative services  | 7300           | 642,745                                  | 620,967            | 21,778            |
| Facilities acquisition and construction  | 7400           | 119,915                                  | 244,722            | (124,807)         |
| Facilities acquisition and construction -<br>facilities rent                                 | 7400.36        | 912,542                                  | 910,039            | 2,503             |
| Fiscal services  | 7500           | 4,550                                    | 5,354              | (804)             |
| Food services  | 7600           | 42,726                                   | -                  | 42,726            |
| Central services   | 7700           | 9,959                                    | 4,511              | 5,448             |
| Operation of plant   | 7900           | 816,617                                  | 624,163            | 192,454           |
| Maintenance of plant   | 8100           | 238,074                                  | 167,778            | 70,296            |
| Community services - childcare or<br>VPK salaries, benefits, materials and<br>supplies, etc. | 9100           | 156,717                                  | 54,817             | 101,900           |
|  |                | <u>8,535,976</u>                         | <u>8,199,391</u>   | <u>336,585</u>    |
| Total expenditures   |                |  |                    |                   |
| Excess of revenues over<br>expenditures  |                | <u>77,608</u>                            | <u>350,218</u>     | <u>272,610</u>    |
| <b>Other Financing Sources (Uses):</b>   |                |  |                    |                   |
| Transfer out   | 9700           | (369,971)                                | (374,103)          | (4,132)           |
| Net change in fund balance   |                | <u>\$ (292,363)</u>                      | <u>\$ (23,885)</u> | <u>\$ 268,478</u> |

The accompanying notes to basic financial statements are an integral part of these statements.

**Waterset Charter School  
Statement of Revenues and Expenditures -  
Budget and Actual - Grants Fund  
For the Year Ended June 30, 2021**

|   | <u>Account</u> | <u>Original<br/>and Final<br/>Budget</u> | <u>Actual</u>  | <u>Variance</u>  |
|---|----------------|--|----------------|------------------|
| <b>Revenues:</b>  |                |  |                |                  |
| Federal sources:  |                |  |                |                  |
| National School Lunch Program                           | 3260           | \$ 160,899                               | \$ 283,854     | \$ 122,955       |
| Governor's Emergency Education Relief Fund              | 3271           | -  | 1,021          | 1,021            |
| State sources:  |                |  |                |                  |
| National School Lunch Program                           | 3370           | -  | 3,045          | 3,045            |
| Total revenues  |                | <u>160,899</u>                           | <u>287,920</u> | <u>127,021</u>   |
| <b>Expenditures:</b>                                    |                |  |                |                  |
| Instruction support services                            | 6000           | -  | 1,021          | (1,021)          |
| Operation of plant                                      | 7900           | -  | 53,856         | (53,856)         |
| Food services   | 7600           | 160,899                                  | 237,175        | (76,276)         |
| Total expenditures                                      |                | <u>160,899</u>                           | <u>292,052</u> | <u>(131,153)</u> |
| Excess (deficiency)<br>of revenues over<br>expenditures |                | <u>-</u>                                 | <u>(4,132)</u> | <u>(4,132)</u>   |
| <b>Other Financing Sources:</b>                         |                |  |                |                  |
| Transfer in   |                | <u>-</u>                                 | <u>4,132</u>   | <u>4,132</u>     |
| Net change in<br>fund balance                           |                | <u>\$ -</u>                              | <u>\$ -</u>    | <u>\$ -</u>      |

The accompanying notes to basic financial statements are an integral part of these statements.

### **Note 1 - Organization and Operations**

Waterset Charter School (the "School"), a Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, was established in 2017 as a public charter school to serve students from kindergarten to eighth grade in Hillsborough County. There were 1,278 students enrolled for the 2020/2021 school year. The Florida Charter Educational Foundation, Inc. ("FCEF") is a Florida nonprofit corporation organized pursuant to Chapter 617, Florida Statutes. The governing body of the School consists of the officers and directors of FCEF. FCEF also operates Keys Gate Charter School in Miami-Dade County, Clay Charter Academy in Clay County, Union Park Charter Academy in Pasco County and Henderson Hammock Charter School, Creekside Charter Academy, SouthShore Charter Academy, Winthrop Charter School, Winthrop College Prep Academy and Woodmont Charter School in Hillsborough County.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not, present fairly the financial position of FCEF as of June 30, 2021, and the changes in its financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America. Accordingly, these basic financial statements only include balances, activity and disclosures related to the School.

### **Note 2 - Summary of Significant Accounting Policies**

**Reporting entity:** The School operates under a charter granted by the sponsoring School Board of Hillsborough County (the "School Board"). The current charter is effective until June 30, 2022 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the Board may choose not to renew the charter under grounds specified in the charter in which case the Board is required to notify the School in writing at least ninety days prior to the charter's expiration. During the term of the charter, the Board may also terminate the charter if good cause is shown. The School is considered a component unit of the School Board of Hillsborough County.

The School may also be financially accountable if an organization is fiscally dependent on the School regardless of whether the organization has a separately elected governing board, a governing board appointed by another government, or a jointly approved board. In addition, component units can be other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's basic financial statements to be misleading or incomplete.

As a result of evaluating the above criteria, management has determined that no component units exist for which the School is financially accountable which would require inclusion in the School's financial statements.

**Basis of presentation:** Based on the guidance presented in the American Institute of Certified Public Accountants Audit and Accounting Guide - Not-for-Profit Organizations and provisions of Section 228.056, Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

**Government-wide financial statements:** Government-wide financial statements, including the statement of net position and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

**Note 2 - Summary of Significant Accounting Policies (continued)**

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

**Fund financial statements:** Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental funds are as follows:

**General Fund** - This fund is used to account for all operating activities of the School except for those required to be accounted for in another fund.

**Grants Fund** - This fund is used to account for federal grants and certain state grants that are legally restricted to expenditures for particular purposes.

**Capital Project Fund** - This fund is used to account for state and local capital outlay funding that is legally restricted to expenditures for particular purposes.

**Debt Service Fund** - This fund is used to account for the accumulation of resources for, and the payment of, principal and interest on long-term obligation of governmental funds.

Additionally, the School reports separately the following nonmajor fund type:

**Club and Activities Fund** - This special revenue fund is used to administer funds raised and earned by the various clubs and activities that are part of the School.

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within sixty days of the end of the current period. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**Cash and cash equivalents:** The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents. The School maintains its cash accounts with one financial institution. The School's accounts at this institution, at times, may exceed the federally insured limit. The School has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk (Note 3).

**Prepaid items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Due to and due from other funds and transfers:** Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund good and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made. Transfers are used to move revenues from the fund with collection authorization to the debt service fund as principal and interest payments become due.

**Revenue recognition:** Student funding is provided by the State of Florida through the School Board. Such funding is recorded as entitlement revenue in the government-wide financial statements and state source revenue in the fund financial statements. This funding is received on a prorata basis over the ten-month period the School is in session and is adjusted for changes in full-time equivalent (FTE) student population.

**Income taxes:** The School is a division of a nonprofit corporation. Revenue of the School is derived primarily from other governmental entities. The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in these basic financial statements.

**Capital assets:** Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Capital assets are defined by the School as assets with an initial cost of \$ 750 and useful life of over one year. Donated capital assets are reported at acquisition value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized and depreciated over the remaining useful lives of the related fixed assets. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

|                                   |          |
|-----------------------------------|----------|
| Furniture, fixtures and equipment | 5 years  |
| Computer equipment                | 3 years  |
| Leasehold improvements            | 10 years |

**Deferred outflows/inflows of resources:** In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The School does not have any items that qualify for reporting in this category.

**Note 2 - Summary of Significant Accounting Policies (continued)**

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The School has one item that qualifies for reporting in this category. The governmental funds report unavailable revenues that are deferred and recognized as an inflow of resources in the period that the amounts become available.

**Unearned revenue:** Unearned revenue arises when the School receives resources before it has a legal claim to them.

**Compensated absences:** The School's policy permits employees to accumulate earned but unused paid time off, which is eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences are generally paid out of the General Fund.

**Net position:** Net position is classified in three categories. The general meaning of each is as follows:

- Net investment in capital assets - represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.
- Restricted - consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- Unrestricted - includes that portion of net position that is available to fund future operations.

**Fund balance:** The governmental fund financial statements present fund balances based on the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance classifications and also sets a hierarchy which details how the School may spend funds based on certain constraints. The following are the fund balance classifications used in the governmental fund financial statements:

- Nonspendable - this classification includes amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The School classifies inventories, prepaid items, long-term notes receivable and deposits as nonspendable since they are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted - this classification includes amounts that are restricted for specific purposes by external parties such as grantors and creditors or are imposed by law through constitutional provisions or enabling legislation.

**Note 2 - Summary of Significant Accounting Policies (continued)**

- Committed - this classification includes amounts that can be used for specific purposes voted on through formal action of the Board of Directors (the highest level of decision making authority). The committed amount cannot be used for any other purpose unless the Board of Directors removes or changes the commitment through formal action.
- Assigned - this classification includes amounts that the Board of Directors intends to use for a specific purpose, but they are neither restricted nor committed. The School classifies existing fund balance to be used in the subsequent year's budget for elimination of a deficit as assigned.
- Unassigned - this classification includes amounts that have not been restricted, committed or assigned for a specific purpose within the General Fund.

The details of the fund balances are included in the Governmental Funds Balance Sheet on page 10.

When the School incurs expenditures for which restricted or unrestricted fund balance is available, the School would consider restricted funds to be spent first. When the School has expenditures for which committed, assigned or unassigned fund balance is available, the School would consider committed funds to be spent first, then assigned funds and lastly unassigned funds.

**Use of estimates:** The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Budget:** An operating budget is adopted and maintained by the governing board for 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.

**Date of management review:** Subsequent events were evaluated by management through September 30, 2021, which is the date the financial statements were available to be issued.

**Note 3 - Cash and Cash Equivalents**

At June 30, 2021, the carrying amount of the deposits and cash on hand totaled \$ 983,937, with bank balances of \$ 1,010,956.

State statutes require, and it is the School's policy, that all deposits be made into, and be held by, financial institutions designated by the Treasurer of the State of Florida as "qualified public depositories" as defined by Chapter 280 of the Florida Statutes. This Statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by an institution, the collateral eligible for pledge, and the reporting requirements of the qualified public depositor to the Treasurer is defined by statute. Collateral is pooled in a multiple qualified public depository institution pool with the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository and are covered by the collateral pool because the School has identified itself as a public entity.

**Waterset Charter School**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

---

**Note 4 - Due From Related Party**

The School is a Department of The Florida Charter Educational Foundation, Inc. ("FCEF"). As of June 30, 2021, FCEF owes the School \$ 40,988 for funding yet to be distributed to the School and for board of directors expenses that were prepaid by the school.

**Note 5 - Capital Assets**

Capital asset balances and activity for the year ended June 30, 2021 are as follows:

|                                   | Balance at<br>July 1,<br>2020 | Additions                   | Deletions                   | Balance at<br>June 30,<br>2021 |
|-----------------------------------|-------------------------------|-----------------------------|-----------------------------|--------------------------------|
|                                   | <u>                    </u>   | <u>                    </u> | <u>                    </u> | <u>                    </u>    |
| Capital assets, depreciable:      |                               |                             |                             |                                |
| Furniture, fixtures and equipment | \$ 870,263                    | \$ 104,598                  | \$ -                        | \$ 974,861                     |
| Computer equipment                | 725,913                       | 67,620                      | -                           | 793,533                        |
| Leasehold improvements            | <u>20,150</u>                 | <u>72,504</u>               | <u>-</u>                    | <u>92,654</u>                  |
| Total capital assets, depreciable | <u>1,616,326</u>              | <u>244,722</u>              | <u>-</u>                    | <u>1,861,048</u>               |
| Accumulated depreciation:         |                               |                             |                             |                                |
| Furniture, fixtures and equipment | 447,604                       | 158,641                     | -                           | 606,245                        |
| Computer equipment                | 588,942                       | 166,707                     | -                           | 755,649                        |
| Leasehold improvements            | <u>1,459</u>                  | <u>8,078</u>                | <u>-</u>                    | <u>9,537</u>                   |
| Total accumulated depreciation    | <u>1,038,005</u>              | <u>333,426</u>              | <u>-</u>                    | <u>1,371,431</u>               |
| Net capital assets                | <u>\$ 578,321</u>             | <u>\$ (88,704)</u>          | <u>\$ -</u>                 | <u>\$ 489,617</u>              |

Provision for depreciation was charged to governmental activities as follows:

|                    |                   |
|--------------------|-------------------|
| Instruction        | \$ 325,348        |
| Operation of plant | <u>8,078</u>      |
|                    | <u>\$ 333,426</u> |

**Note 6 - Promissory Note Payable**

The School previously entered into a promissory note payable for \$ 315,000 for certain startup costs. Principal and interest at a variable rate are payable in monthly installments of \$ 9,560 through July 2021. The note, however, is subject to being called at any time without reason. The note bears interest at the lesser of (a) the maximum rate of interest permitted by applicable law, or (b) a variable rate of 2.50% per annum in excess of the PRIME rate published in the Wall Street Journal, provided however, that the rate of interest on this note shall in no event be less than 6.50% per annum nor more than 9.50% per annum (8.00% at June 30, 2021).

**Waterset Charter School**  
**Notes to Basic Financial Statements**  
**June 30, 2021**

---

**Note 6 - Promissory Note Payable (continued)**

The following is a schedule of the future minimum promissory note payments as of June 30, 2021 with an 8.00% interest rate:

| Year Ending<br>June 30, | Principal        | Interest     | Total            |
|-------------------------|------------------|--------------|------------------|
| 2022                    | \$ <u>10,417</u> | \$ <u>69</u> | \$ <u>10,486</u> |

**Note 7 - Capital Leases**

The School entered into two capital leases for school furniture and equipment and computer equipment. The leases require monthly payments of \$ 12,420 through June 2022. As of June 30, 2021, the net book value of the leased furniture, equipment and computer equipment is approximately \$ 122,425. Amortization of the leased furniture, equipment and computer equipment is included with depreciation expense.

The following is a schedule of the future minimum lease payments as of June 30, 2021:

| Year Ending<br>June 30, | Principal         | Interest        | Total             |
|-------------------------|-------------------|-----------------|-------------------|
| 2022                    | \$ <u>143,327</u> | \$ <u>5,713</u> | \$ <u>149,040</u> |

**Note 8 - Long-Term Liabilities**

Changes in long-term liabilities during the fiscal year ended June 30, 2021, are as follows:

|                            | Balance at<br>July 1,<br>2020 | Additions        | Retirements       | Balance at<br>June 30,<br>2021 | Amount<br>Due Within<br>One Year |
|----------------------------|-------------------------------|------------------|-------------------|--------------------------------|----------------------------------|
| Capital leases - equipment | \$ 378,190                    | \$ -             | \$ 234,863        | \$ 143,327                     | \$ 143,327                       |
| Promissory note payable    | 119,752                       | -                | 109,335           | 10,417                         | 10,417                           |
| Compensated absences       | <u>44,562</u>                 | <u>19,287</u>    | <u>17,238</u>     | <u>46,611</u>                  | <u>34,958</u>                    |
|                            | <u>\$ 542,504</u>             | <u>\$ 19,287</u> | <u>\$ 361,436</u> | <u>\$ 200,355</u>              | <u>\$ 188,702</u>                |

**Note 9 - Federal, State and Local Revenue Sources**

The School recorded the following revenues for the year ended June 30, 2021:

|                                    |    |                  |
|------------------------------------|----|------------------|
| Federal:                           |    |                  |
| National School Lunch Program      | \$ | 284,875          |
| State:                             |    |                  |
| Florida Education Finance Program  |    | 8,313,454        |
| Capital outlay                     |    | 609,617          |
| Other state revenue                |    | 41,831           |
| National School Lunch Program      |    | 3,045            |
| Local:                             |    |                  |
| Food service revenue               |    | 13,443           |
| Childcare revenue                  |    | 140,246          |
| Miscellaneous local source revenue |    | 96,777           |
|                                    | \$ | <u>9,503,288</u> |

**Note 10 - Employee Benefit Plan**

During the year ended June 30, 2021, the School offered all of its full-time employees who had attained 21 years of age, a retirement plan (the "Plan") under Internal Revenue Code Section 401(k). The employee is allowed to contribute up to a maximum of 100% of his/her annual gross compensation, subject to certain limitations. The Plan provides for a discretionary employer matching contribution of the participant's annual elective deferral to the Plan. As determined annually by the School's management, the School may also make a discretionary profit-sharing contribution, which is allocated among the participants based on a pro rata formula. Participants are immediately vested in their own contributions and earnings on those contributions. Participants become vested in School contributions and earnings on School contributions according to the following schedule:

| <u>Years of Service</u> | <u>Vesting Percentage</u> |
|-------------------------|---------------------------|
| 1                       | 25%                       |
| 2                       | 50%                       |
| 3                       | 75%                       |
| 4                       | 100%                      |

Nonvested contributions are forfeited upon termination of employment and such forfeitures are used to reduce any employer contribution. For the Plan year ending December 31, 2020, the School had forfeitures of \$ 102. For the year ended June 30, 2021, the School contributed a matching amount of \$ 8,546.

**Note 11 - Commitments**

**Management agreement:** The School has a formal agreement with Charter Schools USA at Apollo Beach, LLC ("CSUSA") to manage, staff, and operate the School. CSUSA is entitled to retain as compensation for its services an amount not to exceed 15% of revenues as determined by the Board of Directors in the approved annual budget. The term of the agreement coincides with the charter and can be extended if the charter is extended. Total cost reimbursements and management fees amounted to \$ 1,257,909 for the year ended June 30, 2021.

The basic financial statements reflect a due to CSUSA which totaled \$ 30,133 at June 30, 2021 for expenses paid on behalf of the School.

**Note 11 - Commitments (continued)**

**Operating lease:** The School leases its facility under an operating lease which expires in June 2024. Rent totaled \$ 1,519,656 for the year ended June 30, 2021.

Future minimum lease payments required under the long-term noncancelable operating lease at June 30, 2021 are approximately as follows:

| Year Ending<br>June 30, |              |
|-------------------------|--------------|
| 2022                    | \$ 1,550,049 |
| 2023                    | \$ 1,581,050 |
| 2024                    | \$ 1,612,671 |

**Post-retirement benefits:** The School does not provide post-retirement benefits to retired employees.

**Note 12 - Capital Appropriations Funding**

The Florida Department of Education has approved a Charter School Capital Outlay (CSCO) award for the School. In each year that funds are appropriated by the state for charter school capital outlay purposes those funds are allocated among eligible charter schools. The funds for the School’s allocation are transferred to the School once a CSCO Plan has been provided to and approved by the sponsoring Board. The School’s CSCO Award totaled \$ 609,617 for the 2020/2021 school year which has been recognized as revenue in the accompanying financial statements. If the CSCO funds are used to acquire tangible property assets, the School Board has a reversionary interest in those assets. In the event of nonrenewal, termination, or breach of the charter school agreement, ownership of the assets would automatically revert to the School Board. The School has elected to use these funds to pay a portion of the rent expense on its facility.

**Note 13 - Florida Education Finance Program (FEFP) Funding**

The basic amount of funding through the FEFP under Section 1011.62 is the product of (1) the School’s unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the 2020/2021 school year, the School reported 1150.00 unweighted FTE. Weighted funding represented approximately 3% of total state funding.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC)
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC)

**Note 13 - Florida Education Finance Program (FEFP) Funding (continued)**

- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC)
- Evaluation and planning documents for weighted programs (Sections 1011.62(1)(e), FS, and Rule 6A-6.03411, FAC).

**Note 14 - Risk Management**

The School is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets and natural disasters. The School has obtained property insurance from commercial companies including, but not limited to, general liability and errors and omissions insurance. There have been no claims in excess of insurance coverage limits during the past three years.

As disclosed in Note 11, CSUSA employs all of the employees of the School. As a result, the School is not exposed to medical or workers' compensation claims for these individuals. In addition, CSUSA carries all required insurance including, but not limited to, general liability and errors and omissions insurance.

**Note 15 - Prior Period Adjustments**

GASB No. 84, *Fiduciary Activities*, effective for fiscal year ended June 30, 2021, deals with financial reporting of Fiduciary Activities and no longer permits the use of Agency Funds, which requires a change to the way the School reports its Internal Accounts. Internal Account activity will now be reported in the Club and Activities Fund. This treatment requires the restatement of the net position and fund balances as of June 30, 2020. The restatements are as follows:

|                                       |    |                       |
|---------------------------------------|----|-----------------------|
| Fund balances, June 30, 2020          | \$ | 501,133               |
| Removal of due to Agency Fund         |    | (3,945)               |
| Inclusion of Agency Fund cash         |    | <u>150,436</u>        |
| Restated fund balances, June 30, 2020 | \$ | <u><u>647,624</u></u> |
| Net position, June 30, 2020           | \$ | 556,729               |
| Removal of due from Agency Fund       |    | (3,945)               |
| Inclusion of Agency Fund cash         |    | <u>150,436</u>        |
| Restated net position, June 30, 2020  | \$ | <u><u>703,220</u></u> |

**Note 16 - Risks and Uncertainties**

The coronavirus (COVID-19) outbreak has caused disruption in international and U.S. economies and markets. The coronavirus and fear of further spread has caused quarantines, cancellation of events, and overall reduction in business and economic activity. On March 11, 2020, the *World Health Organization* designated the coronavirus outbreak as a pandemic. Management and the Board of Directors continue to evaluate and monitor the potential adverse effect that this event may have on the School's financial position and operations. The full impact of COVID-19 is unknown at this time and cannot be reasonably estimated as these events are still developing.

# OTHER INDEPENDENT AUDITOR'S REPORTS



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  
Waterset Charter School  
A Department of Florida Charter Educational Foundation, Inc.  
Apollo Beach, 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 Waterset Charter School (the "School"), A Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 30, 2021.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing the 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.

CPA's + Trusted Advisors

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 30, 2021

## INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS

To the Board of Directors  
Waterset Charter School  
A Department of Florida Charter Educational Foundation, Inc.  
Apollo Beach, Florida

### Report on the Financial Statements

We have audited the financial statements of Waterset Charter School (the "School"), A Department of Florida Charter Educational Foundation, Inc., and a component unit of the School Board of Hillsborough County, Florida, as of and for the year ended June 30, 2021, and have issued our report thereon dated September 30, 2021.

### Auditor's Responsibility

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

### Other Reporting Requirements

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

### Prior Audit Findings

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

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that 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 and the school code assigned by the Florida Department of Education are Waterset Charter School and 297805.

CPA's + Trusted Advisors

### **Financial Condition and Management**

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

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

### **Additional Matters**

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

### **Purpose of this Letter**

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



KEEFE McCULLOUGH

Fort Lauderdale, Florida  
September 30, 2021