

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

**A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

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

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2024**



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2024

The discussion and analysis of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2024. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The year ended June 30, 2024 represents the eighteenth year of operations for the School. For the first five years of operation, the School was operated by a national educational management provider. Upon termination of that agreement, the Corporation and the School were required to change names. "Life Skills Center – Lee County, Inc." officially became "City of Palms Charter High School, Inc." operating City of Palms Charter High School as of July 2011. In June 2016, the School District of Lee County approved renewal of the School's contract for 10 years, through June 30, 2026. The governing board has hired a Principal to oversee educational aspects of the School and contracted a local educational service provider, Consulting + Professional Assistance, Inc., to manage all business operations related to the School. The School is related to Palm Acres Charter HS and Northern Palms Charter HS through a common board of governance (see Note 1).

Financial Highlights

At the close of the fiscal year, assets of the School exceeded liabilities by \$362,416 (net position). This is an increase of \$85,053 from the prior year when assets exceeded liabilities by \$277,363. Enrollment was severely affected when Hurricane Ian made landfall at the end of September 2022. This resulted in a 28% loss of enrollment from the beginning of that school year. Average enrollment increased from 103 in FY23 to 133 in FY24 – a 29% increase that restored lost enrollment resulting from the natural disaster.

Using this Financial Report

This report consists of six parts:

- 1) Management's discussion and analysis;
- 2) Independent auditor's report;
- 3) The basic financial statements;
- 4) Notes to the financial statements;
- 5) Required supplementary information and
- 6) Management letter.

Basic financial statements include two kinds of statements presenting different views of the School:

- 1) The "Statement of Net Position" and the "Statement of Activities" are government-wide financial statements that provide information about the School's overall financial status.
- 2) The "Balance Sheet" and the "Statement of Revenues, Expenditures and Changes in Fund Balance", are fund financial statements that focus on individual parts of the School.

Government-Wide Financial Statements

These statements report information about the School as a whole using accounting methods similar to those used by the private sector. The "Statement of Net Position" presented on the following page includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid. Changes in net position provide an indicator of improving or deteriorating financial position.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2024
(continued)

Government-Wide Financial Statements – (continued)

<u>Statement of Net Position</u>			
	<u>2024</u>	<u>2023</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 651,320	\$ 825,426	\$ (174,106)
Capital assets, net	34,619	33,520	1,099
Right to use assets - net	284,082	159,058	125,024
Total assets	\$ 970,021	\$ 1,018,004	\$ (47,983)
Liabilities			
Current liabilities	\$ 304,303	\$ 575,194	\$ (270,891)
Lease payable	261,992	165,447	96,545
SBITA payable	41,310	-	41,310
Total liabilities	\$ 607,605	\$ 740,641	\$ (133,036)
Net Assets			
Invested in capital assets	\$ 34,619	\$ 33,520	\$ 1,099
Invested in right to use assets	284,082	159,058	125,024
Unrestricted	43,715	84,785	(41,070)
Total net position	\$ 362,416	\$ 277,363	\$ 85,053

Changes in current assets are represented by a decrease in cash of nearly \$298,000; an increase in accounts receivable from related parties to approximately \$85,000 in FY24 from zero in FY23; an increase in grants receivable of \$35,500 in FY24 from zero in FY23; and net changes in prepaid expenses around \$3,400.

Net capital assets are represented by computer hardware (65%), furniture and equipment (18%), leasehold improvements (HVAC) (13%) and capitalized computer software (5%).

At June 30, 2024, current liabilities are comprised of \$40,926 (13%) accrued payroll expenses, \$253,805 (83%) related party transactions (Note 3) and \$9,572 (4%) general operating accounts payable. The decrease in current liabilities is primarily related to the decrease in intercompany accounts payable of just over \$260,000.

Implementation of GASB 87 is responsible for the addition of Right-to-use lease asset and the corresponding Lease note payable. It is the intent of the Board to renew the lease for a 2-year option beginning August 1, 2025. Therefore, the right-to-use asset and the lease note payable were adjusted to reflect the change of intent during FY24.

Implementation of GASB 96 is responsible for the addition of Right-to-use “Subscription-Based Information Technology Arrangements” (SBITA) and the corresponding SBITA note payable. In August 2023, the Corporation entered into a 5-year agreement with “Edmentum” for online curriculum.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2024
(continued)

Government-Wide Financial Statements – Change in Net Position – Statement of Activities

The table below provides a comparative summary of School's changes in net position, revenues and expenses for FY24 and FY23.

Federal sources:

- COVID/ESSER grants, decreased 43% due to timing of reimbursement requests.

State and Local Sources:

- E-Rate reimbursements, included within *State and local sources* increased by 45% from the prior year.
- Revenues from the Florida Education Finance Program (FEFP) increased over \$300,000 – nearly 40% - over the previous year due to increases in enrollment. In accordance with funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District. For FY24 and FY23, the School was paid for 133 and 103 students, respectively.
- State capital outlay funding increased \$9,714 (14%) due to increases in enrollment.
- Nearly \$37,000 of unforeseen local capital improvement monies not previously paid were received by the school during FY24.

Intercompany contribution: Contributions were \$111,000 lower in FY24 than in FY23.

Total revenues increased by \$190,335 (17%) due primarily to the effect of increases in FEFP funding. Net expenses increased by only \$85,141 (8%).

Change in Net Position - Statement of Activities

	2024	2023	Increase (Decrease)
Revenues			
Federal sources	\$ 45,755	\$ 79,700	\$ (33,945)
State and local sources	1,138,336	812,516	325,820
Capital outlay	79,300	69,586	9,714
Contribution	20,000	131,000	(111,000)
Other revenues	104	358	(254)
Total revenues	1,283,495	1,093,160	190,335
Expenses			
Instruction	314,272	301,905	12,367
Instructional support services	90,837	95,361	(4,524)
Board	29,860	20,141	9,719
School administration	438,184	408,524	29,660
Central services	49,808	37,032	12,776
Pupil transportation services	4,360	3,265	1,095
Operation of plant	267,729	244,631	23,098
Maintenance of plant	3,392	2,442	950
Total expenses	1,198,442	1,113,301	85,141
Change in net position	\$ 85,053	\$ (20,141)	\$ 105,194

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2024
(continued)

Financial Analysis of the School's Funds

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is a self-balancing set of accounts which the School uses to keep track of sources of funding and spending.

The School's basic services are included in governmental funds which focus:

- 1) on how financial assets can be converted to cash flows and
- 2) on the year-end balances available for spending.

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental fund reports a combined ending unassigned fund balance of \$311,088 – a \$91,246 (42%) increase from the prior year. The change is the result of increased enrollment, grant funding and implementation of GASB 87 and GASB96.

General Fund Budgetary Highlights

The School prepares an annual budget based on the expected funded enrollment for the year. The revised budget anticipated the actual enrollment of 133 students. The budget did not include the \$20,000 contribution from Palm Acres Charter High School that was approved by the School's common board of directors.

Capital Assets

The School had \$34,619 and \$33,520 invested in capital assets at June 30, 2024 and 2023 respectively. The capitalization threshold for classification of long-term assets is \$1,000.

Capital Assets (Net of Depreciation)			
	2024	2023	Increase (Decrease)
Leasehold improvements	\$ 6,371	\$ 12,263	\$ (5,892)
Furniture, fixtures and equipment	4,458	9,252	(4,794)
Computer hardware	23,790	10,855	12,935
Computer software	-	1,150	(1,150)
Total	\$ 34,619	\$ 33,520	\$ 1,099

See Note 7 to the financial statements for additional details.

Lease Asset and Liability

The School implemented GASB Statement No. 87 - Leases, which requires the recognition of certain long term lease contracts in which the School has control of a non-financial asset. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments and reasonably certain guarantees. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

The non-financial asset is recorded as an intangible right-to-use asset. The right-to-use asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. The right-to-use asset is amortized over the shorter of the useful life of the asset or lease term. In the current fiscal year, the School recognized a net right-to-use asset of \$242,676 and a lease liability of \$261,992.

Information related to the change in the right-to-use asset and lease liability is presented in Note 9.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2024
(continued)

SBITA Asset and Liability

The School implemented GASB Statement No. 96 – “Subscription-Based Information Technology Arrangements”, which requires the recognition of certain long term lease contracts in which the School has control of a non-financial asset. The SBITA liability is recorded at the present value of future contractual payments, including fixed payments, variable payments and reasonably certain guarantees. The SBITA liability is reduced by the payments made, less the interest portion of the payment.

The non-financial asset is recorded as an intangible right-to-use asset. The right-to-use asset is recorded for the same amount as the related liability plus any prepayments and initial direct costs to place the asset in service. The right-to-use asset is amortized over the shorter of the useful life of the asset or contract term. In the current fiscal year, the School recognized a net right-to-use asset of \$41,406 and a related liability of \$41,310.

Information related to the change in the right-to-use SBITA asset and SBITA liability is presented in Note 9.

Current Financial Statements

This fiscal year was the eighth year of the School’s 10-year renewal contract. After the initial contract period, when the School operated as *Life Skills Center – Lee County*, the School was granted a 5-year renewal contract opening in FY12 with a new name, a new location and a new educational service provider. Long-term sustainability has been demonstrated by consistent enrollment, staff retention and a cooperative relationship with the School District of Lee County. The School’s contract was renewed in 2016 for ten years beginning July 1, 2016 and ending June 30, 2026.

The Board of Directors of City of Palms Charter High School, Inc. has contracted with Consulting and Professional Assistance, Inc. (“CPA’s”) to provide day-to-day business services including maintenance of facilities, equipment, technology, support services, financial reporting, and personnel management. CPA’s provides services for a percentage share of the revenues received by the School.

Contacting the School’s Financial Management

This financial report is designed to provide interested parties with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. If you have questions about this report or need additional information, please contact Amy Rohner, Vice President for School Services, Consulting and Professional Assistance, Inc. at City of Palms Charter High School, 2830 Winkler Avenue, Suite 201, Fort Myers, FL 33916; (239) 561-6611.

Next Year’s Budget

Amounts available for appropriation in FY25 are approximately \$1,362,050, an increase of 6% over FY24 actual amounts, excluding any contributions. The increase is due to anticipated increases in enrollment and receipt of reimbursements related to ESSER III federal grant funding. Budgeted expenditures are \$1,242,050, an increase of 5% from FY24 actual amounts. If the above estimates are realized, the general fund is expected to increase by approximately \$120,000 by the end of FY25.



Independent Auditor's Report

To the Board of Directors of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund information of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida, (the "School") as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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 City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida as of and for the year ended June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain and understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions of events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 an assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 30, 2024, 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, grant agreements and other matters. The purpose of that report is 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 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.

The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are not presented and are not a required part of the basic financial statements.

McCrady and Associates, PLLC

Altamonte Springs, Florida
August 30, 2024

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CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Statement of Net Position

June 30, 2024

Assets	Governmental Activities
Cash and cash equivalents	\$ 495,223
Accounts receivable	120,168
Other assets	35,929
Right-to-use assets:	
Right-to-use lease asset	400,088
Right-to-use SBITA asset	51,757
Less accumulated amortization	(167,763)
Total right-to-use assets, net	284,082
Capital assets:	
Furniture, fixtures and equipment	25,351
Computer hardware	93,680
Computer software	6,880
Leasehold improvements	18,680
Less: accumulated depreciation	(109,972)
Total capital assets, net	34,619
Total assets	\$ 970,021
Liabilities	
Accounts payable and accrued expenses	\$ 304,303
Lease liability - note payable	261,992
SBITA liability - note payable	41,310
Total liabilities	607,605
Net Position	
Invested in capital assets, net of related debt	\$ 34,619
Invested in right to use assets	284,082
Unrestricted	43,715
Total net position	\$ 362,416

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Statement of Activities

For the Year Ended June 30, 2024

	<u>Expenses</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
				<u>Total Governmental Activities</u>
Governmental activities:				
Instruction	\$ 314,272	\$ 15,353	\$ -	\$ (298,919)
Instructional support services	90,837	2,488	-	(88,349)
Board	29,860	9,415	-	(20,445)
School administration	438,184	-	-	(438,184)
Central services	49,808	-	-	(49,808)
Transportation	4,360	-	-	(4,360)
Operation of plant	267,729	-	79,300	(188,429)
Maintenance of plant	3,392	-	-	(3,392)
Total primary government	<u>\$ 1,198,442</u>	<u>\$ 27,256</u>	<u>\$ 79,300</u>	<u>(1,091,886)</u>
			Federal sources	18,499
			State and local sources	1,138,336
			Contribution	20,000
			Other revenues	104
			Total general revenues	<u>1,176,939</u>
			Change in net position from operations	85,053
			Net position at beginning of year	<u>277,363</u>
			Net position at end of year	<u>\$ 362,416</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Balance Sheet – Governmental Fund

June 30, 2024

	General Fund - Total Governmental Funds
Assets	<u> </u>
Cash	\$ 495,223
Accounts receivable	120,168
Other assets	<u>35,929</u>
Total assets	<u>\$ 651,320</u>
Liabilities	
Accrued payroll	\$ 40,926
Accounts payable	<u>263,377</u>
Total liabilities	<u>304,303</u>
Fund Balance	
Nonspendable:	
Restricted	35,929
Spendable:	
Unassigned	<u>311,088</u>
Total fund balance	<u>347,017</u>
Total liabilities and fund balance	<u>\$ 651,320</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Reconciliation of Governmental Fund Balance Sheet
to the Statement of Net Position

June 30, 2024

Total fund balance - governmental fund \$ 347,017

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

Assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental funds.

Capital assets	144,591
Accumulated depreciation	(109,972)
Right-to-use lease asset	400,088
Right-to-use SBITA asset	51,757
Accumulated amortization	(167,763)

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

Lease note payable	(261,992)
SBITA note payable	(41,310)

Total net position - governmental activities \$ 362,416

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

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

For the Year Ended June 30, 2024

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Federal sources	\$ -	\$ 45,755	\$ -	\$ 45,755
State and local sources	1,138,336	-	-	1,138,336
Capital outlay funds	-	-	79,300	79,300
Contribution	20,000	-	-	20,000
Other revenues	104	-	-	104
Total revenues	<u>1,158,440</u>	<u>45,755</u>	<u>79,300</u>	<u>1,283,495</u>
Expenditures				
Instruction	300,568	15,353	-	315,921
Instructional support services	72,369	2,488	-	74,857
Board	20,445	9,415	-	29,860
School administration	414,342	-	-	414,342
Central services	49,808	-	-	49,808
Transportation	4,360	-	-	4,360
Operation of plant	186,315	-	79,300	265,615
Maintenance of plant	3,392	-	-	3,392
Capital outlays	28,555	-	-	28,555
Total expenditures	<u>1,080,154</u>	<u>27,256</u>	<u>79,300</u>	<u>1,186,710</u>
Change in fund balance from operations	78,286	18,499	-	96,785
Transfers	18,499	(18,499)	-	-
Total change in fund balance	96,785	-	-	96,785
Fund balance at beginning of year	<u>250,232</u>	<u>-</u>	<u>-</u>	<u>250,232</u>
Fund balance at end of year	<u>\$ 347,017</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 347,017</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities

For the Year Ended June 30, 2024

Net changes in fund balance - total governmental funds	\$ 96,785
Amounts reported for governmental activities in the statement of activities are different because:	
Principal payments on long-term debt are expenditures in the governmental funds. However, the payments reduce long-term lease note payable liability in the statement of net position.	
Principal payments in the current period are:	78,584
Amortization of right-to-use lease asset is reported as an expense on the statement of activities. However, no amounts are reported in the governmental funds. The amount incurred in the current period is:	
	(91,415)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay expenditures	28,555
Depreciation / amortization expense	<u>(27,456)</u>
Change in net position of governmental activities	<u>\$ 85,053</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Notes to Financial Statements

For the Year Ended June 30, 2024

1. Description of School and Reporting Entity

City of Palms Charter High School, Inc. *dba* City of Palms Charter High School (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. The Not-For-Profit Corporation currently operates two other charter high schools in Lee County in addition to this school. All three schools have the same Board of Governance. As such, they are related entities.

The School contracts with Consulting + Professional Assistance, Inc. ("CPA's") as educational service providers to manage day-to-day business operations (See Note 10). The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lee County, Florida (the "District"). The current contract was renewed after fifteen years for an additional ten years beginning July 1, 2016 ending June 30, 2026. This contract may also be renewed by mutual written agreement between the School and the District.

At the end of the 10-year renewal term of the charter contract, the District may choose not to renew the agreement under grounds specified in the charter contract. In this case, the District is required to notify the School in writing at least 90 days prior to the charter contract's expiration. During the term of the charter, the District may also terminate the charter contract if good cause is shown. In the event of termination of the charter contract, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools.

The School is considered a component unit of the District and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

Recently Issued Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This pronouncement establishes a definition for SBITAs and provides guidance for accounting and financial reporting for transactions that meet that definition. Under this pronouncement, a school is required to recognize an intangible right-to-use subscription asset and corresponding subscription liability, thereby enhancing the relevance and consistency of information about a school's activities. The original effective implementation date was reporting periods beginning after June 15, 2021. However, GASB Statement No. 95 postponed the implementation to be effective for reporting beginning after June 15, 2022. Currently, the School is party to a 5-year software subscription contract for online curriculum.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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(continued)

Recently Issued Accounting Pronouncements - continued

In June 2017, the GASB issued Statement No. 87, Leases. This pronouncement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this pronouncement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The original effective implementation date was June 30, 2021. However, GASB Statement No. 95 postponed the implementation of this statement to be effective for reporting periods beginning after June 15, 2021.

2. Summary of Significant Accounting Policies

The School has adopted guidance issued by the GASB that established fund balance classifications that comprise of a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of the resources reported in governmental funds. This guidance improves the usefulness of fund balance information by clarifying the definitions of existing governmental fund types and providing additional classifications of fund balance.

Basis of Presentation

The basic financial statements of the School have been prepared in conformity with generally accepted accounting principles as applied to governmental nonprofit organizations. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The government-wide financial statements report about the School as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The government-wide financial statements of the School consist of governmental activities. The School's basic services are included here, such as instruction and school administration. Funds received through the Florida Education Finance Program ("FEFP") and state and federal grants finance most of these activities.

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled.

The funds in the financial statements of this report are the General Fund, Special Revenue Fund and Capital Projects Fund. The General Fund is the School's primary operating fund and accounts for all financial resources not required to be accounted for in another fund. For purposes of these statements, the General Fund, Special Revenues Fund and Capital Projects Fund constitute major funds.

Basis of Accounting

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

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For the Year Ended June 30, 2024

(continued)

2. Summary of Significant Accounting Policies – Basis of Accounting - continued

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

The governmental funds basic financial statements are reported using the modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made.

Expenditures are recorded 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. Proceeds from the acquisition of long-term debt are reported as other financing sources. PPP funds were recognized using the debt method.

Budgetary Basis of Accounting

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

Cash and Cash Equivalents

All cash received by the School is maintained in demand deposit accounts. Under current regulations, deposit accounts are insured by the FDIC up to \$250,000 per insured institution. The School currently holds its deposit accounts at two institutions. At June 30, 2024, these accounts total \$557,322. Amounts deposited above the FDIC insured amount total \$103,854. The School does not anticipate any losses associated with these accounts.

Capital Assets and Depreciation

The School's capitalization threshold is \$1,000. Capital assets are recorded on the accompanying Statement of Net Position at cost, net of accumulated depreciation or amortization. Depreciation is computed using the straight-line method over three years, with a half-year convention, for furniture, fixtures and equipment, computer hardware and software. Amortization of leasehold improvements will be charged over the remaining life of the lease.

Net Position and Fund Balance Classifications - Government-Wide Financial Statements

Net Position is classified and reported in three components.

- Investment in capital assets, net of related debt – consists of capital asset net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”.

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Notes to Financial Statements

For the Year Ended June 30, 2024

(continued)

2. Summary of Significant Accounting Policies (continued)

Net Position and Fund Balance Classifications - Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in not spendable form.
- Restricted – fund balance classification includes amounts that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance classification includes amounts that are intended to be used by the School’s management for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the definition of the special revenue fund to denote that the special revenue may be used to account for the proceeds of specific revenue sources (other than trust for individual, private organizations or other governmental or for major capital projects) legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for non-general funds to be classified as restricted fund balance. It is also possible for the non-general funds to have negative unassigned fund balance when non-spendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School’s charter. In accordance with the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (FEFP). During the year, funding is adjusted to reflect the revised calculations by FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The District receives, from the School, a 5% administrative fee for the first 250 students, which is included as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds.

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(continued)

2. Summary of Significant Accounting Policies – Revenue Sources (continued)

The School is eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying Statement of Net Position and Balance Sheet – Governmental Fund, respectively. All capital outlay funds received were used for lawful capital outlay expenditures during FY24.

The Board of Directors has authorized contributions from Palm Acres Charter High School to City of Palms Charter High School. Both schools are operated by a common board and are located within the same Florida county school district.

Income Taxes

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

The School has adopted guidance related to accounting for uncertainty in income taxes, which prescribes a recognition threshold and measurement attribute for financial statement recognition and measurement of a tax position that an entity takes or expects to take in a tax return. This guidance is applicable to not-for-profit organizations that may be conducting unrelated business activities, which are potentially subject to federal and/or state income taxes.

The School regularly assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is "more likely than not" that its tax positions will be sustained upon an examination by the Internal Revenue Service ("IRS") or the applicable state taxing authority. Accordingly, there is no provision for federal or for state income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. The School's income tax returns for the past three tax years are subject to examination by tax authorities, and may change upon examination.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. Significant estimates include depreciation/amortization of capital assets, interest rates utilized in calculating present value of "right-to-use" assets – including SBITA and the allocation of certain expenses to the three related schools based upon enrollment. Actual results could differ from those estimates.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through August 30, 2024, which is the date the financial statements were available to be issued. The Board of Directors of City of Palms Charter High School, Inc. will be extending the lease for City of Palms Charter High School for two years beginning August 1, 2025. The Board has entered into an agreement to participate in a lawsuit requesting the Lee County School Board share with Lee County charter schools revenues collected from the half-percent sales tax increase previously enacted.

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For the Year Ended June 30, 2024

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3. Related Party Transactions

In March 2014, the Board of Directors of City of Palms Charter High School, Inc. received approval from the School District of Lee County to open Palm Acres Charter High School in August 2014 in Lehigh Acres. In April 2015, the Board received approval from the School District to open and operate Northern Palms Charter High School in North Fort Myers in August 2015. During the routine course of business, invoices and payroll which apply to all schools may be paid by a single entity. Also, the school with surplus funds may pay expenses on behalf of other related schools. The school tracks these amounts due to or from each related entity or school separately.

At June 30, 2024, total amounts receivable to City of Palms Charter High School by other related schools equals \$84,737. Amounts payable to the other related schools by City of Palms Charter High School equal \$253,805. In addition, general accounts payable of \$6,920 are included as current liabilities. These amounts are included in the accompanying statements of net position and balance sheet – governmental funds. The Board of Directors of City of Palms Charter High School, Inc. passed resolutions during FY24 and FY23 authorizing contributions in the amounts of \$20,000 and \$130,000, respectively, to City of Palms Charter High School from Palm Acres Charter High School.

4. Fair Value Measurements

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of “inputs” an organization may use in determining or estimating fair value. The inputs are categorized into “levels” that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

- Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- Level 2:* Inputs other than quoted market prices included within Level 1 that are observable for an assets or liability, either directly or indirectly.
- Level 3:* Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School’s significant financial instruments are cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (Level 1), carrying values approximate fair value because of the short maturity of these instruments.

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5. Accounts Receivable

At June 30, 2024, \$35,431 (30%) of total accounts receivable of \$120,168 is represented by federal grants receivable. The balance of accounts receivable of \$84,737 (70%) is represented by amounts owed to the School by related party – Northern Palms Charter High School at year-end (See Note 3). Based on the sources of these funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

6. Other Current Assets

Other current assets total \$35,929 and are comprised of prepaid expenses of \$5,024 (14%), prepaid insurance of \$16,080 (45%), prepaid rent of \$9,977 (28%), security deposit of \$3,763 (10%), and other miscellaneous items totaling \$1,085 (3%).

7. Capital Assets and Depreciation

For the year ended June 30, 2024, the School's capital assets consisted of the following:

	Beginning Balance	Additions	Ending Balance
Capital assets being depreciated:			
Furniture, fixtures and equipment	\$ 25,351	\$ -	\$ 25,351
Computer hardware	65,125	28,555	93,680
Computer software	6,880	-	6,880
Leasehold improvements	18,680	-	18,680
Total	<u>116,036</u>	<u>28,555</u>	<u>144,591</u>
Less accumulated depreciation:			
Furniture, fixtures + equipment	\$ 16,099	\$ 4,794	\$ 20,893
Computer hardware	54,270	15,620	69,890
Computer software	5,730	1,150	6,880
Leasehold improvements	6,417	5,892	12,309
Total	<u>82,516</u>	<u>27,456</u>	<u>109,972</u>
Net capital assets	<u>\$ 33,520</u>	<u>\$ 1,099</u>	<u>\$ 34,619</u>

Depreciation expense of \$27,456 was charged to the following functions in the accompanying Statement of Activities:

Instruction-Related Technology	\$ 17,130
Administrative	3,576
Operations	<u>6,750</u>
Total depreciation expense	<u>\$ 27,456</u>

8. Accounts Payable

Total current accounts payable of \$304,303 are represented by accrued salaries of \$40,926 (13%), other operating accounts payable of \$9,572 (3%) and intercompany accounts payable of \$253,805 (84%).

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Notes to Financial Statements

For the Year Ended June 30, 2024

(continued)

9. Right-to-use lease assets

Right-to-use lease asset and lease note payable

On July 1, 2022, the School entered into a lease agreement with WBCMT 2007-C31 Winkler Avenue, LLC (Landlord) for the use of building facilities through July 31, 2025. Adhering to the requirements of GASB 87, the School recorded the following right-to-use lease asset, related amortization expense and lease note payable liability by restating prior year financial statements. It is the intent of the School to renew the lease for an additional two years through July 31, 2027. Balances related to the right-to-use lease asset and lease note payable were adjusted to reflect the extension as of June 30, 2024 as follows:

Right-to-use lease asset	\$ 400,088
<u>Accumulated amortization</u>	<u>(157,412)</u>
<u>Right-to-use asset, net</u>	<u>\$ 242,676</u>

Information regarding the School's lease note payable during the year ended June 30, 2024 is as follows:

Lease note payable - beginning of year	\$ 165,447
Exercise of 2-year option - principal	164,682
Exercise of 2-year option - interest	5,015
<u>FY24 principal payments</u>	<u>(73,152)</u>
<u>Lease note payable - end of year</u>	<u>\$ 261,992</u>

Interest expense related to the amortization of the lease note payable is \$12,548 for FY24 and is included as interest expense as part of administrative expenses. Amortization of the right-to-use asset was calculated on a straight-line basis, charged to governmental activities and included within the operation of plant.

Gross rental expense of \$85,700 under the lease for the current year is reflected as an expense within plant operations in the accompanying governmental financial statements.

Right-to use SBITA asset and SBITA payable

In June 2023, the School entered into a 5-year agreement with Edmentum, Inc. to provide on-line curriculum courses for students enrolled at all three schools operated by City of Palms Charter High School, Inc. Adhering to the requirements of GASB 96, the School recorded the following right-to-use SBITA asset, related amortization expense and the note payable liability in the current year. Balances related to the right-to-use SBITA asset and related note payable are as follows:

Right-to-use SBITA asset	\$ 51,757
<u>Accumulated amortization</u>	<u>(10,351)</u>
<u>Right-to-use SBITA asset, net</u>	<u>\$ 41,406</u>

Information regarding the School's SBITA note payable during the year ended June 30, 2024 is as follows:

SBITA payable - beginning of year	\$ 51,757
<u>FY24 principal payments</u>	<u>(10,447)</u>
<u>SBITA payable - end of year</u>	<u>\$ 41,310</u>

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(continued)

Right-to use SBITA asset and SBITA payable - continued

Interest expense related to the amortization of the SBITA note payable is \$1,553 for FY24 and is included as interest expense as part of administrative expenses. Amortization of the right-to-use asset was calculated on a straight-line basis, charged to governmental activities and included within instructional expenses.

Gross online curriculum costs of \$12,000 for the current year is reflected as an expense as instruction expense in the accompanying governmental financial statements.

Future payments under this agreement are as follows:

	TOTAL		
	Principal	Interest	TOTAL
FY25	\$ 10,424	\$ 1,576	\$ 12,000
FY26	10,377	1,623	\$ 12,000
FY27	10,328	1,672	\$ 12,000
FY28	10,181	1,819	\$ 12,000
TOTAL	\$ 41,310	\$ 6,690	\$ 48,000

On July 8, 2022, the School entered into a lease agreement with Metro Gardens Office Partners, LLC (Landlord) for continued use of building facilities through July 31, 2025. It is the intent of the Board to exercise the option to extend the lease for two additional years, through July 31, 2027. Future minimum lease payments under this agreement, as well as future minimum payments under the lease agreements for Palm Acres Charter High School and Northern Palms Charter High School are as follows:

	City of Palms Charter HS			Palm Acres Charter HS			Northern Palms Charter HS		
	Principal	Interest	TOTAL	Principal	Interest	TOTAL	Principal	Interest	TOTAL
FY25	\$ 81,345	\$ 12,925	\$ 94,270	\$ 68,223	\$ 24,027	\$ 92,250	\$ 55,616	\$ 9,382	\$ 64,998
FY26	84,413	13,312	97,725	70,272	24,748	95,020	5,376	41	5,417
FY27	87,926	13,712	101,638	72,384	25,490	97,874	-	-	-
FY28	8,308	188	8,496	74,557	26,255	100,812	-	-	-
FY29	-	-	-	76,792	27,042	103,834	-	-	-
FY30	-	-	-	12,679	4,711	17,390	-	-	-
TOTAL	\$ 261,992	\$ 40,137	\$ 302,129	\$ 374,907	\$ 132,273	\$ 507,180	\$ 60,992	\$ 9,423	\$ 70,415

	TOTAL		
	Principal	Interest	TOTAL
FY25	\$ 205,184	\$ 46,334	\$ 251,518
FY26	160,061	38,101	198,162
FY27	160,310	39,202	199,512
FY28	82,865	26,443	109,308
FY29	76,792	27,042	103,834
FY30	12,679	4,711	17,390
TOTAL	\$ 697,891	\$ 181,833	\$ 879,724

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10. Educational Management Providers

Beginning fiscal year 2012, the Board of Directors entered into a contract with Consulting and Professional Assistance, Inc. (CPA's) to provide business services to the School. The Board of Directors operates the School independently. CPA's works with the Principal to manage the School on a day-to-day basis. The Principal primarily oversees academics and CPA's oversees business operations. CPA's continuing fee is based upon 15% of gross revenues. The fee is reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

11. Schedule of State and Local Revenue Sources

For the year ended June 30, 2024, state and local revenues were received as follows:

Florida Education Finance Program	\$	709,652
Class size reduction		125,222
Discretionary millage		124,083
Capital Outlay		79,300
E-Rate reimbursements		59,804
Education enrichment allocation		48,996
Local capital improvement revenue		36,772
ESE guaranteed allocation		11,574
Safe schools		10,156
Mental health assistance allocation		7,313
Student transportation		4,950
Prior year revenue adjustment		(186)
Total	\$	<u>1,217,636</u>

These revenues are included on the Statement of Activities as "State and local sources" for \$1,138,336 and as "Capital outlay funds" for \$79,300.

The administration fee paid to the District during the year ended June 30, 2024 totaled \$49,808. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund.

12. Risk Management

The School is exposed to various risks of loss related to torts; theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is in compliance with coverage parameters dictated by the charter contract with the District.

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For the Year Ended June 30, 2024

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13. Contingencies

Grants

The School participates in state and federal grant programs which are governed by various rules and regulation of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies. Therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at year end may be impaired.

Management believes there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants. Therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

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

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Required Supplementary Information
 Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2024

	Budget	Actual	Variance
<i>Enrollment</i>	<i>133</i>	<i>133</i>	-
Revenues			
Florida Educational Finance Program - FEFP	\$ 1,041,804	\$ 1,141,760	\$ (44)
Local capital improvement revenue	36,772	36,772	-
Capital outlay	80,104	79,300	(804)
E-Rate reimbursements	59,517	59,804	287
Contribution	-	20,000	20,000
Other revenues	2,341	104	(2,237)
Total revenues	<u>1,220,538</u>	<u>1,237,740</u>	<u>17,202</u>
Expenditures			
Instruction	318,000	300,568	(17,432)
Instructional support services	104,000	72,369	(31,631)
Board	30,000	20,445	(9,555)
School administration	415,117	414,342	(775)
Central services	49,808	49,808	-
Pupil transportation services	4,400	4,360	(40)
Operation of plant	272,000	265,615	(6,385)
Maintenance of plant	2,000	3,392	1,392
Capital outlay	-	28,555	28,555
Total expenditures	<u>1,195,325</u>	<u>1,159,454</u>	<u>(35,871)</u>
Change in fund balance from operations	25,213	78,286	53,073
Transfer from Special Revenues Fund	-	18,499	18,499
Fund balances at beginning of year	<u>250,232</u>	<u>250,232</u>	-
Fund balances at end of year	<u>\$ 275,445</u>	<u>\$ 347,017</u>	<u>\$ 71,572</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

A Charter School and Component Unit of the
District School Board of Lee County, Florida

Required Supplementary Information
Budgetary Comparison Schedule – Special Revenues Fund

For the Year Ended June 30, 2024

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues			
Federal sources - Grant funds	\$ 18,500	\$ 45,755	\$ 27,255
Total revenues	<u>78,017</u>	<u>105,559</u>	<u>27,542</u>
Expenditures			
Instruction	-	15,353	15,353
Instructional support services	-	2,488	2,488
School administration	7,200	9,415	2,215
Total expenditures	<u>7,200</u>	<u>27,256</u>	<u>20,056</u>
Excess of revenues over expenditures	11,300	18,499	7,199
Transferred to general fund	(11,300)	(18,499)	(7,199)
Fund balances at beginning of year	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

**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 of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida,

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund for the City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida (the "School"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 30, 2024.

Report on 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) to determine 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 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.

Report on 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 determination of financial statement amounts. 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.

This report is intended solely for the information and use of management of the School, the District School Board of Lee County, Florida, the Florida Department of Education and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

McCrary and Associates, PLLC

Altamonte Springs, Florida
August 30, 2024

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ADDITIONAL INFORMATION REQUIRED BY RULES OF
THE AUDITOR GENERAL, CHAPTER 10.850
AUDITS of CHARTER SCHOOLS and SIMILAR ENTITIES



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

**Management Letter as Required by Rules of the Florida Auditor General,
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School, a Charter School and Component Unit of the District School Board of Lee County, Florida,

Report on the Financial Statements

We have audited the financial statements of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School (the "School") as of and for the fiscal year ended June 30, 2024, and have issued our report thereon dated August 30, 2024.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, if applicable, which is dated August 30, 2024 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 are no prior audit findings to report upon.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is City of Palms Charter High School, Inc. *dba* City of Palms Charter High School.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the school has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of 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.

Financial Condition and Management (continued)

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

Transparency

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

Additional Matters

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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 have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the Lee County School Board, 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.

McCrary and Associates, PLLC

Altamonte Springs, Florida
August 30, 2024

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