

2025

Lake Wales Charter Schools, Inc.

Hillcrest Elementary School

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

Financial Statements and Independent Auditor's Report

June 30, 2025

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT
OF THE DISTRICT SCHOOL BOARD OF
POLK COUNTY, FLORIDA**

**FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR’S REPORT**

JUNE 30, 2025

TABLE OF CONTENTS

| | |
|---|------------|
| Independent Auditor’s Report | 1-3 |
| Management Discussion and Analysis | 4-9 |
| Basic Financial Statements | |
| Statement of Net Position | 10 |
| Statement of Activities | 11 |
| Balance Sheet – Governmental Funds..... | 12 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 13 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 14 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities..... | 15 |
| Statement of Fiduciary Net Position | 16 |
| Statement of Changes in Fiduciary Net Position | 17 |
| Notes to Financial Statements | 18-29 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule – General Fund..... | 30 |
| Budgetary Comparison Schedule – Special Revenue Fund..... | 31 |
| Schedule of Proportionate Share of Net Pension Liability (Asset) | 32 |
| Schedule of Contributions – Pension Plans | 33 |
| Notes to Required Supplementary Information..... | 34-35 |
| Additional Information | |
| Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government</i> <i>Auditing Standards</i> | 36-38 |
| Management Letter..... | 39-40 |
| Management’s Response to Findings..... | 41 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of governmental activities, each major fund, and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Hillcrest Elementary School (the School), a charter school and component unit of the District School Board of Polk County, Florida as of and for the year ended June 30, 2025, 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 the School as of June 30, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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. 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 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.

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Tampa

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

INDEPENDENT AUDITOR'S REPORT

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 and *Government 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 and *Government 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 an 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 or 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 on pages 4-9, the budgetary comparison information on pages 31-32 and the pension information on pages 33-34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

INDEPENDENT AUDITOR'S REPORT

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, 2025, 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.

Purvis Gray

September 30, 2025
Gainesville, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Hillcrest Elementary School (the School) presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2025. Please read it in conjunction with the School's financial statements, which follow this section.

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

FINANCIAL HIGHLIGHTS

- The School's net position decreased compared to the prior fiscal year.
- For the fiscal year ended June 30, 2025, the School's expenses exceeded revenues by \$311,851. This represents an increase from the prior year, when expenses exceeded revenues by \$177,541.
- Overall, revenues decreased by approximately \$224,978, which represents a 4% decrease from the prior year.
- Overall, expenses decreased by approximately \$90,668, which represents a 1% decrease from the prior year.
- Total assets and deferred outflows were \$4,652,246, and liabilities and deferred inflows were \$4,295,873, resulting in a net position of \$356,373 as of June 30, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the School:

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

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

| | Government-Wide Statements | Fund Statements | |
|--|--|--|--|
| | | Governmental Funds | Fiduciary Funds |
| Scope | Entire School (except the fiduciary fund) | The activities of the School that are not proprietary or fiduciary | Instances in which the School administers resources on behalf of someone else |
| Required financial statements | Statement of net position Statement of activities | Balance sheet – governmental funds Statement of revenues, expenditures, and changes in fund balances – governmental funds | Statement of fiduciary net position Statement of changes in fiduciary net position |
| Accounting basis and measurement focus | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus |
| Type of asset/liability information | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term | Only assets/deferred outflows or resources expected to be used up and liabilities/deferred inflows or resources that come due during the year or soon thereafter; no capital assets included | All assets, deferred outflows of resources, liabilities, and deferred inflows of resources, both financial and capital, and short-term and long-term |
| Type of inflow/outflow information | All revenues and expenses during the year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during the year, regardless of when cash is received or paid |

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

MANAGEMENT’S DISCUSSION AND ANALYSIS

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

Net Position

The School’s combined net position as of June 30, 2025, and 2024, is summarized as follows – see table below:

| | Governmental Activities | | Increase |
|---|--------------------------------|-------------------|-------------------|
| | 2025 | 2024 | (Decrease) |
| Current and Other Assets | \$ 3,552,432 | \$ 3,657,573 | -3% |
| Capital Assets, Net | 96,750 | 94,817 | 2% |
| Deferred Outflows of Resources | 1,003,064 | 1,035,146 | -3% |
| Total Assets and Deferred Outflows | 4,652,246 | 4,787,536 | -3% |
| Long-Term Liabilities | 3,876,067 | 3,886,298 | 0% |
| Deferred Inflows of Resources | 419,806 | 233,014 | 80% |
| Total Liabilities and Deferred Inflows | 4,295,873 | 4,119,312 | 4% |
| Net Position | | | |
| Net Investment in Capital Assets | 96,750 | 94,817 | 2% |
| Unrestricted | 259,623 | 573,407 | -55% |
| Total Net Position | \$ 356,373 | \$ 668,224 | -47% |

The School ended its fiscal year with a net position of \$356,373, with \$96,750 as the net investment in capital assets and \$259,623 in unrestricted funds representing the accumulated results of prior years’ operations. The unrestricted net position represents the amount of discretionary resources that can be used to fund the School’s general operations, which includes pension balances under Governmental Accounting Standards Board No. 68. The Company has the resources available to meet all current obligations.

Current and other assets totaled \$3,552,432, most of which represents amounts due from the central administrative office. Since the Company maintains cash deposits on a pooled basis for all of its charter schools, the amount due from the central administrative office represents amounts advanced by the School to the Company for operating costs and represents the School’s share of the pooled cash balance. Additional amounts were not advanced during fiscal period 2024-25 as a result of the current year’s operating deficit at the fund level.

Capital assets, net, increased due to capital asset additions exceeding depreciation expense. The changes in deferred outflows or resources, long-term liabilities, and deferred inflows of resources are primarily related to the remeasurement of the net pension liability. See Note 5 for additional pension plan information.

Change in Net Position

The School’s total revenues decreased by 4% to \$6,149,589 and the total cost of all programs and services decreased by 1% to \$6,461,440 – see table below.

MANAGEMENT'S DISCUSSION AND ANALYSIS

| | Governmental Activities | | Increase |
|--|-------------------------|---------------------|------------|
| | 2025 | 2024 | (Decrease) |
| Revenues | | | |
| Federal Sources | \$ 325,510 | \$ 446,657 | -27% |
| State and Local Sources | 5,575,316 | 5,744,969 | -3% |
| Contributions and Other Revenue | 248,763 | 182,941 | 36% |
| Total Revenues | 6,149,589 | 6,374,567 | -4% |
| Expenses | | | |
| Instruction | 4,447,587 | 4,640,405 | -4% |
| Student Support Services | 116,368 | 81,072 | 44% |
| Instructional Media | 138,358 | 129,658 | 7% |
| Instruction and Curriculum Development | 258,304 | 248,506 | 4% |
| Instructional Staff Training | 5,130 | - | |
| Instruction-Related Technology | 10,867 | 8,652 | 26% |
| Board | 17,151 | 13,000 | 32% |
| General Administration | 27,611 | 26,294 | 5% |
| School Administration | 727,793 | 893,083 | -19% |
| Pupil Transportation | 171,194 | 192,341 | -11% |
| Operation of Plant | 495,105 | 282,353 | 75% |
| Maintenance of Plant | 7,428 | - | |
| Administrative Technology Services | 1,102 | 1,508 | -27% |
| Community Services | 37,442 | 35,236 | 6% |
| Total Expenses | 6,461,440 | 6,552,108 | -1% |
| Change in Net Position | \$ (311,851) | \$ (177,541) | 76% |

The School operates primarily on the FEFP funding, state categorical educational funding, and local property taxes (91% of the School's total revenues) to fund governmental activities. The decrease in FEFP funding is due to a decrease in the base student allocation. The School received approximately 5% of its total revenues from federal sources, including Title I and IDEA entitlement revenue to supplement the School's 2024-25 operations. A decrease in Title I and the American Rescue Plan (ARP) allocations accounts for the majority of the decrease in revenues from federal sources. The remaining portion of the School's revenue, 4%, is the result of contributions and program revenue, which increased due to an increase in both the Lake Wales Charter Schools Foundation support and the after-school program participation.

Instruction and instruction-related activities represent 77% of the School's expenses, which decreased approximately 3% during fiscal year 2024-25. This decrease was primarily the result of decreases in salaries and related expenses, as well as decreases in pension expense. The decrease in school administration expenses is the result of decreases in pension expense and the administrative fee paid to the Company. Operation of the plant increased due to an increase in the school's custodian services, along with the added expense of a School Resource Officer.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As the School completed the year, its governmental funds reported a combined fund balance of \$3,552,432, which is a decrease from the prior year. Revenues and expenditures changed overall for the same reasons described above.

MANAGEMENT’S DISCUSSION AND ANALYSIS

General and Special Revenue Fund Budgetary Highlights

Over the course of the fiscal year, the School amended its budget to address changes in revenues and expenditures. The general fund budget amendments were performed primarily to reflect revised student enrollment and to adjust planned expenditures based on actual resource needs. The special revenue fund budget amendments were performed to adjust the budget allocations to reflect the final approved federal awards from the state. For 2025, actual general fund revenues were approximately \$331,313 below the final budget, which represents a 5% budget variance. Actual general fund expenditures were approximately \$69,681 below the final budget, which represents a 1% budget variance.

For 2025, actual special revenue fund revenues and expenditures were approximately \$41,163 below the final budget, which represents a 11% budget variance. This is primarily due to lower FEFP funding, along with lower federal grant funds received than budgeted.

CAPITAL ASSET ADMINISTRATION

At the end of fiscal 2025, the School had invested \$96,750 in capital assets, net of accumulated depreciation, consisting primarily of improvements, computers, and other electronic equipment.

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

- Improvement to the Grounds - \$ 13,270

The School’s fiscal year 2026 capital budget does not include significant spending related to capital projects. More detailed information about the School’s capital assets is presented in Note 2 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The following economic indicators were considered when adopting the general fund budget for fiscal year 2026:

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

Amounts available for appropriation in the general fund are \$6,101,211, an approximate 1% decrease from the final 2025 amount of \$6,155,392. Budgeted general fund expenditures are expected to decrease to \$5,850,367, or 1%, from the final 2025 amount of \$5,998,901. The School is allocating resources to enhance academic achievement at all student-learning levels and for anticipated student membership.

If these estimates are realized, the School’s general fund balance is expected to remain unchanged by the close of fiscal 2026.

CONTACTING THE SCHOOL’S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School’s finances and to demonstrate the School’s accountability for the money it receives. Should additional information be required, please contact the School’s administrative offices at 130 East Central Avenue, Lake Wales, Florida 33853.

BASIC FINANCIAL STATEMENTS

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2025**

| | Governmental Activities |
|--|------------------------------------|
| Assets | |
| Due from Central Administrative Office | \$ 3,552,432 |
| Capital Assets, Net | 96,750 |
| Total Assets | <u>3,649,182</u> |
| Deferred Outflows of Resources | |
| Pension Related Deferred Outflows of Resources | <u>1,003,064</u> |
| Total Assets and Deferred Outflows of Resources | <u>\$ 4,652,246</u> |
| Liabilities | |
| Long-Term Liabilities: | |
| Due Within One Year | 209,328 |
| Due in More than One Year | 3,666,739 |
| Total Liabilities | <u>3,876,067</u> |
| Deferred Inflows of Resources | |
| Pension Related Deferred Inflows of Resources | <u>419,806</u> |
| Net Position | |
| Net Investment in Capital Assets | 96,750 |
| Unrestricted | 259,623 |
| Total Net Position | <u>356,373</u> |
| Total Liabilities, Deferred Inflows of Resources and Net Position | <u>\$ 4,652,246</u> |

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

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | |
|--|---------------------|-------------------------|--|--|--|--------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
| Governmental Activities | | | | | | |
| Instruction | \$ 4,447,587 | \$ 192,730 | \$ 194,611 | \$ - | \$ (4,060,246) | \$ (4,060,246) |
| Student Support Services | 116,368 | - | 3,928 | - | (112,440) | (112,440) |
| Instructional Media | 138,358 | - | - | - | (138,358) | (138,358) |
| Instruction and Curriculum Development | 258,304 | - | 126,971 | - | (131,333) | (131,333) |
| Instructional Staff Training | 5,130 | - | - | - | (5,130) | (5,130) |
| Instruction-Related Technology | 10,867 | - | - | - | (10,867) | (10,867) |
| Board | 17,151 | - | - | - | (17,151) | (17,151) |
| General Administration | 27,611 | - | - | - | (27,611) | (27,611) |
| School Administration | 727,793 | - | - | - | (727,793) | (727,793) |
| Pupil Transportation | 171,194 | - | - | - | (171,194) | (171,194) |
| Operation of Plant | 495,105 | - | - | - | (495,105) | (495,105) |
| Maintenance of Plant | 7,428 | - | - | - | (7,428) | (7,428) |
| Administrative Technology Services | 1,102 | - | - | - | (1,102) | (1,102) |
| Community Services | 37,442 | - | - | - | (37,442) | (37,442) |
| Total Primary Government | <u>\$ 6,461,440</u> | <u>\$ 192,730</u> | <u>\$ 325,510</u> | <u>\$ -</u> | <u>(5,943,200)</u> | <u>(5,943,200)</u> |
| General Revenues | | | | | | |
| State and Local Sources | | | | | 5,575,316 | 5,575,316 |
| Contributions and Other Revenues | | | | | 56,033 | 56,033 |
| Total General Revenues | | | | | <u>5,631,349</u> | <u>5,631,349</u> |
| Change in Net Position | | | | | (311,851) | (311,851) |
| Net Position at Beginning of Year | | | | | 668,224 | 668,224 |
| Net Position at End of Year | | | | | <u>\$ 356,373</u> | <u>\$ 356,373</u> |

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

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2025

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|--|----------------------------|-------------------------------------|---|
| Assets | | | |
| Due from Central Administrative Office | \$ 3,552,432 | \$ - | \$ 3,552,432 |
| Total Assets | <u>3,552,432</u> | <u>-</u> | <u>3,552,432</u> |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances | | | |
| Unassigned | 3,552,432 | - | 3,552,432 |
| Total Fund Balances | <u>3,552,432</u> | <u>-</u> | <u>3,552,432</u> |
| Total Liabilities and Fund Balances | <u><u>\$ 3,552,432</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 3,552,432</u></u> |

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

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

| | |
|---|--------------------------|
| Total Fund Balances - Total Governmental Funds | \$ 3,552,432 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$319,036 and the accumulated depreciation is \$222,286. | 96,750 |
| Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. | (380,596) |
| The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental funds: | |
| Pension Related Deferred Outflows of Resources | 1,003,064 |
| Net Pension Liability | (3,495,471) |
| Pension Related Deferred Inflows of Resources | <u>(419,806)</u> |
| Total Net Position - Governmental Activities | <u><u>\$ 356,373</u></u> |

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

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2025

| | General Fund | Special Revenue Fund | Total Governmental Funds |
|---|-------------------------|-------------------------------------|---|
| Revenues | | | |
| Federal Sources | \$ - | \$ 325,510 | \$ 325,510 |
| State and Local Sources | 5,575,316 | - | 5,575,316 |
| Contributions and Other Revenue | 248,763 | - | 248,763 |
| Total Revenues | <u>5,824,079</u> | <u>325,510</u> | <u>6,149,589</u> |
| Expenditures | | | |
| Current: | | | |
| Instruction | 4,070,299 | 194,611 | 4,264,910 |
| Student Support Services | 109,746 | 3,928 | 113,674 |
| Instructional Media | 135,662 | - | 135,662 |
| Instruction and Curriculum Development | 97,774 | 126,971 | 224,745 |
| Instructional Staff Training | 5,130 | - | 5,130 |
| Instruction-Related Technology | 7,179 | - | 7,179 |
| Board | 17,151 | - | 17,151 |
| General Administration | 27,611 | - | 27,611 |
| School Administration | 679,964 | - | 679,964 |
| Pupil Transportation | 171,194 | - | 171,194 |
| Operation of Plant | 490,788 | - | 490,788 |
| Community Services | 37,442 | - | 37,442 |
| Capital Outlay | 79,280 | - | 79,280 |
| Total Expenditures | <u>5,929,220</u> | <u>325,510</u> | <u>6,254,730</u> |
| Net Changes in Fund Balances | (105,141) | - | (105,141) |
| Fund Balances at Beginning of Year | <u>3,657,573</u> | - | <u>3,657,573</u> |
| Fund Balances at End of Year | <u>\$ 3,552,432</u> | <u>\$ -</u> | <u>\$ 3,552,432</u> |

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

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2025**

| | |
|---|--------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (105,141) |
|---|--------------|

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

| | |
|--|-------|
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$79,280) exceed depreciation expense (\$77,347) in the current period. | 1,933 |
|--|-------|

| | |
|--|-----------|
| Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | (209,843) |
|--|-----------|

| | |
|---|--|
| The net changes in net pension liability and deferred outflows and inflows related to pension in the statement of activities does not provide or require the use of current financial resources and, therefore, is not reported as a net change in fund balances in the governmental funds. | <div style="border-top: 1px solid black; border-bottom: 3px double black;">1,200</div> |
|---|--|

| | |
|--|---|
| Change in Net Position of Governmental Activities | <div style="border-top: 1px solid black; border-bottom: 3px double black;">\$ (311,851)</div> |
|--|---|

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

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2025

| | <u>Custodial Fund</u> |
|--|---------------------------|
| Assets | |
| Due from Central Administrative Office | \$ 98,783 |
| Total Assets | <u>98,783</u> |
| Net Position | |
| Restricted for: | |
| Student Activities | 98,783 |
| Total Net Position | <u>\$ 98,783</u> |

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

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2025**

| | <u>Custodial Fund</u> |
|--|---------------------------|
| Additions | |
| Collections for Student Activities | \$ 103,392 |
| Total Additions | <u>103,392</u> |
| Deductions | |
| Payments for Student Activities | <u>100,977</u> |
| Total Deductions | <u>100,977</u> |
| Change in Net Position | 2,415 |
| Net Position at Beginning of Year | <u>96,368</u> |
| Net Position at End of Year | <u><u>\$ 98,783</u></u> |

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

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies

Reporting Entity

Lake Wales Charter Schools, Inc. (the Company) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. Hillcrest Elementary School (the School) operates as part of the Company with six other charter schools in the Lake Wales, Florida area. The governing body of the School is the not-for-profit corporation Board of Trustees, which is composed of no less than three and no more than nine members. Effective July 1, 2004, the School converted from a traditional public school to a public charter school. Effective July 1, 2011, the Company became its own local educational agency (LEA).

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

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

Basis of Presentation—Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by the Florida Education Finance Program (FEFP) and state and federal grants, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services. Likewise, the primary government is reported separately from the legally separate component units for which the primary government is financially accountable.

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to those who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Grants or other revenues not properly included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the School's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major funds. Major individual governmental funds are reported as separate columns in the fund financial statements. There are no non-major governmental or enterprise funds.

The School reports the following major governmental funds:

General Fund—The General Fund is the School's primary operating fund. It accounts for all resources not required to be accounted for in another fund.

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

Additionally, the School reports the following fund type:

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

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of recognition in the financial statements of various kinds of transactions or events.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the custodial funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of 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. 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, other postemployment benefits, 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 financed purchases are reported as other financing sources. Allocations of cost, such as depreciation, are not recognized in governmental funds.

Budgetary Basis Accounting

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

Deposits and Investments

During the year ended June 30, 2025, the Company maintained cash deposits on a pooled basis for all of its charter schools. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The Company's cash consists primarily of demand deposits with financial institutions.

Accounts Receivable

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

Capital Assets and Depreciation

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. Capital assets are defined by the Company as assets with a cost of more than \$750 and an estimated useful life in excess of one year. Purchased capital assets are reported at historical cost, net of accumulated depreciation, in the government-wide financial statements. Donated capital assets are recorded at estimated acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

| | <u>Years</u> |
|-----------------------------------|--------------|
| Improvements Other than Buildings | 5 |
| Furniture, Fixtures and Equipment | 3-5 |
| Computer Software | 3 |

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Compensated Absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as expenses when earned by the employees.

Pensions

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

Long-Term Liabilities

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds.

Fund Balance Spending Policy

The School's adopted spending policy is to spend from restricted fund balance first, followed by committed, assigned, then the unassigned fund balance. The Board of Trustees reviews the amounts in the fund balances in conjunction with the annual budget approval and makes adjustments as necessary to meet expected cash flow needs. Most funds were designated for one purpose at the time of their creation. Therefore, expenditures made out of the fund will be allocated to the applicable fund balance classifications in the order of the aforementioned spending policy. If expenditures are incurred that meet the purpose of more than one fund, they will be allocated to restricted fund balance first and then follow the order above. Funds can only be committed by formal action of the Board of Trustees. The Board of Trustees has delegated authority to assign funds to the Superintendent and Chief Financial Officer of the Company.

The School is required by the School Board to maintain an unassigned general fund balance equal to at least 3% of general fund revenues. The Company has an internal fund balance policy to maintain an unassigned general fund balance equal to not less than 10% of budgeted general fund revenues as of June 30th of each year for the Lake Wales Charter Schools system as a whole. In addition, the Company's internal fund balance policy requires that each charter school maintain an unassigned general fund balance equal to a minimum of 5% of budgeted general fund revenues, 3% to meet the School Board's requirement and 2% to provide for sufficient cash flow for fiscal stability. There are no minimum fund balance requirements for any of the School's other funds.

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Revenue Sources

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

Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the FDOE for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the Lake Wales Charter Schools system, which is reflected as a general administration expense/expenditure in the accompanying financial statements. This administrative fee is calculated on the FEFP revenue up to 500 students within the system.

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - Changes in Capital Assets

Capital asset activity during 2025 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|------------------------------|------------------------|--------------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets: | | | | |
| Improvement Other Than Buildings | \$ 50,192 | \$ 13,270 | \$ (33,420) | \$ 30,042 |
| Furniture, Fixtures and Equipment | 807,709 | 66,010 | (584,725) | 288,994 |
| Total Capital Assets | <u>857,901</u> | <u>79,280</u> | <u>(618,145)</u> | <u>319,036</u> |
| Less Accumulated Depreciation for: | | | | |
| Improvement Other Than Buildings | (29,808) | (10,525) | 33,420 | (6,913) |
| Furniture, Fixtures and Equipment | (733,276) | (66,822) | 584,725 | (215,373) |
| Total Accumulated Depreciation | <u>(763,084)</u> | <u>(77,347)</u> | <u>618,145</u> | <u>(222,286)</u> |
| Governmental Activities Capital Assets, Net | <u><u>\$ 94,817</u></u> | <u><u>\$ 1,933</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 96,750</u></u> |

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Depreciation expense was charged to functions as follows:

| | |
|---|-------------------------|
| Governmental Activities | |
| Instruction | \$ 48,217 |
| Instructional Media | 1,598 |
| Instruction and Curriculum Development | 10,997 |
| Instruction-related Technology | 3,688 |
| Operation of Plant | 11,745 |
| Administrative Technology Services | <u>1,102</u> |
| Total Governmental Activities Depreciation Expense | <u>\$ 77,347</u> |

Note 3 - Commitments and Contingent Liabilities

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2025 may be impaired.

In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

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

Risk Management Program

Workers' compensation coverage, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage. Health and hospitalization coverage is self-insured as a group through the Company.

Contingency

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

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Note 4 - Long-Term Liabilities

Long-term liabilities activity during 2025 was as follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|---|------------------------------|-------------------|---------------------|---------------------------|--------------------------------|
| Governmental Activities | | | | | |
| Compensated Absences | \$ 170,753 | \$ 209,843 | \$ - | \$ 380,596 | \$ 209,328 |
| Net Pension Liability | 3,715,545 | - | (220,074) | 3,495,471 | - |
| Governmental Activities, Long-Term Liabilities | <u>\$ 3,886,298</u> | <u>\$ 209,843</u> | <u>\$ (220,074)</u> | <u>\$ 3,876,067</u> | <u>\$ 209,328</u> |

Compensated absences and pension liability are presented net.

Note 5 - Pension Plans

Pension Plan Descriptions

The Florida Department of Management Services, Division of Retirement (Division), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (System). The School participates in two defined benefit plans administered by the Division. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the plans. That report is available from the Florida Department of Management Services' website (www.dms.myflorida.com).

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

The Retiree HIS Program is a non-qualified, cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with Section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance coverage, which can include Medicare.

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

Benefits Provided

Benefits under the FRS Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings.

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

The benefits under the HIS program are described in Section 112.363, Florida Statutes. In general, an eligible retiree is entitled to a benefit of \$7.50 per month per year of service, with a minimum benefit of \$45 per month and maximum benefit of \$225 per month. The retiree must apply for and provide certification of health insurance coverage to be eligible for the subsidy.

The contribution requirements of plan members and the employer are established and may be amended by the Florida Legislature. Employees are required to contribute 3.00% of their salary to the FRS Pension Plan. The employer's contribution rates for the year ended June 30, 2025, were as follows:

| <u>Class or Plan</u> | <u>Percent of Gross Salary</u> | |
|--|--------------------------------|---------------------|
| | <u>Employee</u> | <u>Employer (a)</u> |
| Florida Retirement System, Regular | 3% | 13.57% |
| Florida Retirement System, Re-Employed Retiree | (b) | (b) |

- (a) Employer rates include 2.00% for HIS and 0.06% for administration of FRS and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.
(b) Contribution rates are dependent upon the retirement class in which re-employed.

The School's contributions for the year ended June 30, 2025, were \$298,044 to the FRS Pension Plan \$68,786 to the HIS Program.

Pension Liabilities and Pension Expense

In its financial statements for the year ended June 30, 2025, the School reported a liability for its proportionate share of the net pension liability of the FRS Pension Plan and its proportionate share of the net pension liability of the HIS Program that were measured as of June 30, 2024. The School's proportions of the net pension liabilities were based on its share of contributions to the pension plans relative to the contributions of all participating entities, actuarially determined.

| | <u>FRS</u> | <u>HIS</u> |
|--------------------------|--------------|--------------|
| Net Pension Liability | \$ 2,192,381 | \$ 1,303,090 |
| Proportion at: | | |
| Current Measurement Date | 0.00567% | 0.00869% |
| Prior Measurement Date | 0.00584% | 0.00875% |
| Pension Expense | \$ 316,412 | \$ 49,222 |

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS

Deferred Outflows/Inflows of Resources Related to Pensions

At June 30, 2025, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| Description | FRS | | HIS | |
|--|--------------------------------|-------------------------------|--------------------------------|-------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Employer Contributions After Measurement Date | \$ 298,044 | \$ - | \$ 68,786 | \$ - |
| Difference Between Expected and Actual Experience | 221,489 | - | 12,582 | 2,502 |
| Change of Assumptions | 300,486 | - | 23,062 | 154,269 |
| Changes of Proportion and Difference Between School Contributions and Proportionate Share of Contributions | 47,895 | 101,100 | 30,720 | 15,747 |
| Net Difference Between Projected and Actual Earnings on Pension Investments | - | 145,717 | - | 471 |
| Total | <u>\$ 867,914</u> | <u>\$ 246,817</u> | <u>\$ 135,150</u> | <u>\$ 172,989</u> |

Deferred outflows of resources related to employer contributions paid subsequent to the measurement date and prior to the employer's fiscal year-end will be recognized as a reduction of the net pension liability in the reporting period ending June 30, 2026. Other pension-related amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

| <u>Fiscal Year Ending</u> | <u>FRS Amount</u> | <u>HIS Amount</u> |
|---------------------------|-------------------|---------------------|
| 2026 | \$ (38,053) | \$ (18,928) |
| 2027 | 355,246 | (18,368) |
| 2028 | 1,783 | (29,837) |
| 2029 | (12,726) | (21,284) |
| 2030 | 16,803 | (13,947) |
| Thereafter | - | (4,261) |
| Total | <u>\$ 323,053</u> | <u>\$ (106,625)</u> |

Actuarial Assumptions

The total pension liability for each of the defined benefit plans was measured as of June 30, 2024. The total pension liability for the FRS Pension Plan and the HIS Program were determined by actuarial valuations dated July 1, 2024.

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

The individual entry age normal actuarial cost method was used for each plan, along with the following significant actuarial assumptions:

| | <u>FRS</u> | <u>HIS</u> |
|--------------------------------------|------------|------------|
| Inflation | 2.40% | 2.40% |
| Salary Increases Including Inflation | 3.50% | 3.50% |
| Long-Term Expected Rate of Return | 6.70% | N/A |
| Discount Rate | 6.70% | 3.93% |

Mortality assumptions for FRS Pension Plan and HIS Plan were based on the PUB-2010 base table varying by member category and sex, projected generationally with Scale MP-2018.

For both plans, the actuarial assumptions were based on the results of an actuarial experience study for the period July 1, 2018 through June 30, 2023.

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

| <u>Asset Class</u> | <u>Target Allocation (1)</u> | <u>Annual Arithmetic Return</u> | <u>Compound Annual (Geometric) Return</u> | <u>Standard Deviation</u> |
|--------------------------|----------------------------------|---|---|-------------------------------|
| Cash | 1.0% | 3.3% | 3.3% | 1.1% |
| Fixed Income | 29.0% | 5.7% | 5.6% | 3.9% |
| Global Equity | 45.0% | 8.6% | 7.0% | 18.2% |
| Real Estate | 12.0% | 8.1% | 6.8% | 16.6% |
| Private Equity | 11.0% | 12.4% | 8.8% | 28.4% |
| Strategic Investments | 2.0% | 6.6% | 6.2% | 8.7% |
| Assumed Inflation – Mean | | | 2.4% | 1.5% |

Note: (1) As Outlined in the Plan's Investment Policy.

Discount Rate. The discount rate used to measure the total pension liability for the FRS Pension Plan was 6.70%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

The discount rate used to measure the total pension liability for the HIS Pension Plan was 3.93%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

The following changes in actuarial assumption occurred since the previous measurement period:

- HIS—The municipal bond index rate and the discount rate used to determine the total pension liability increased from 3.65% to 3.93%.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the employer's proportionate share of the net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate.

| FRS | 1% Decrease (5.70%) | Current Discount Rate (6.70%) | 1% Increase (7.70%) |
|--|------------------------------------|--|------------------------------------|
| School's Proportionate Share of the Net Pension Liability | <u>\$ 3,856,321</u> | <u>\$ 2,192,381</u> | <u>\$ 798,478</u> |
| HIS | 1% Decrease (2.93%) | Current Discount Rate (3.93%) | 1% Increase (4.93%) |
| School's Proportionate Share of the Net Pension Liability | <u>\$ 1,483,400</u> | <u>\$ 1,303,090</u> | <u>\$ 1,153,403</u> |

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Annual Comprehensive Financial Report.

Note 6 - Schedule of State and Local Revenue Sources

The following is a schedule of state and local revenue sources and amounts:

| | |
|--|----------------------------|
| District School Board of Polk County, Florida: | |
| Florida Education Finance Program | \$ 3,571,274 |
| Class Size Reduction | 680,979 |
| Discretionary Local Effort | 281,382 |
| Discretionary Millage Funds | 272,981 |
| Teacher Salary Increase Allocation | 289,861 |
| Supplemental Academic Instruction | 167,611 |
| ESE Guaranteed Allocation | 116,925 |
| Transportation | 81,330 |
| Safe Schools | 59,376 |
| Mental Health Assistance Allocation | 41,297 |
| Teacher Lead Pay | 12,300 |
| Total | <u><u>\$ 5,575,316</u></u> |

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO FINANCIAL STATEMENTS**

The administration fee paid to the School Board during 2025 totaled approximately \$28,000, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

Note 7 - Related-Party Transactions

As previously noted, the Company maintained cash deposits on a pooled basis for all of its charter schools during the fiscal year ended June 30, 2025. The amount due from the central administrative office in the accompanying financial statements represents the School's share of the pooled cash balance. The balance of \$3,552,432 is net of accounts payable and payroll liabilities (taxes, insurance, retirement, etc.) to be paid by the Company on behalf of the School.

In addition, the Company provides certain management and administrative services to the School. Expenses for these services are generally allocated to each charter school operated by the Company based on the relative number of students, but can be increased or decreased at the discretion of the Company. For the year ended June 30, 2025, the School's share of these expenses totaled \$230,372, which is reflected as a school administration expense/expenditure in the accompanying financial statements.

The Company also provides transportation services for the School in exchange for the transportation revenue generated by the School based on its full-time equivalent student count. Amounts paid to the Company for transportation services during fiscal 2025 totaled \$171,194.

During fiscal 2025, the Company operated and managed all of its charter schools as one collective unit, although each charter school is considered a separate reporting entity. As one legal entity, the Company has the option to transfer funds between schools as it deems necessary. For the year ended June 30, 2025, no transfers between schools occurred.

Note 8 - Campus Facility

Title to the school building and facilities and other capital assets acquired prior to July 1, 2004 remains with the School Board. Florida Statutes provide that the use of the school building and facilities be furnished to charter schools on the same basis as made available to other public schools in the district. No rental or leasing fee may be charged by the School Board to the charter school or to the parents and teachers who organize the charter school.

In management's opinion, the value of facilities utilized by the School is significant; therefore, any substantial changes in Florida Statutes related to facilities use by conversion charter schools could have a material effect on the School's operations.

REQUIRED SUPPLEMENTARY INFORMATION

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

| | Budgeted Amounts | | Actual | Variance with |
|---|-------------------------|---------------------|---------------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| Revenues | | | | |
| State and Local Sources | \$ 5,678,109 | \$ 5,804,861 | \$ 5,575,316 | \$ (229,545) |
| Contributions and Other Revenue | 246,276 | 350,531 | 248,763 | (101,768) |
| Total Revenues | <u>5,924,385</u> | <u>6,155,392</u> | <u>5,824,079</u> | <u>(331,313)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 4,047,017 | 4,178,531 | 4,070,299 | 108,232 |
| Student Support Services | 57,309 | 68,813 | 109,746 | (40,933) |
| Instructional Media | 138,717 | 137,350 | 135,662 | 1,688 |
| Instruction and Curriculum Development | 95,170 | 95,170 | 97,774 | (2,604) |
| Instructional Staff Training | 16,000 | - | 5,130 | (5,130) |
| Instruction-Related Technology | 5,600 | 11,480 | 7,179 | 4,301 |
| Board | 13,750 | 18,750 | 17,151 | 1,599 |
| General Administration | 25,857 | 25,974 | 27,611 | (1,637) |
| School Administration | 809,774 | 904,360 | 679,964 | 224,396 |
| Pupil Transportation | 220,172 | 192,558 | 171,194 | 21,364 |
| Operation of Plant | 305,746 | 327,926 | 490,788 | (162,862) |
| Community Services | 37,989 | 37,989 | 37,442 | 547 |
| Capital Outlay | - | - | 79,280 | (79,280) |
| Total Expenditures | <u>5,773,101</u> | <u>5,998,901</u> | <u>5,929,220</u> | <u>69,681</u> |
| Net Changes in Fund Balances | 151,284 | 156,491 | (105,141) | (261,632) |
| Fund Balances at Beginning of Year | <u>3,167,406</u> | <u>3,159,169</u> | <u>3,657,573</u> | <u>498,404</u> |
| Fund Balances at End of Year | <u>\$ 3,318,690</u> | <u>\$ 3,315,660</u> | <u>\$ 3,552,432</u> | <u>\$ 236,772</u> |

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2025

| | Budgeted Amounts | | Actual | Variance with |
|---|------------------|----------------|----------------|-----------------|
| | Original | Final | Amounts | Final Budget |
| Revenues | | | | |
| Federal Sources | \$ 378,823 | \$ 366,673 | \$ 325,510 | \$ (41,163) |
| Total Revenues | <u>378,823</u> | <u>366,673</u> | <u>325,510</u> | <u>(41,163)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Instruction | 378,823 | 366,673 | 194,611 | 172,062 |
| Student Support Services | - | - | 3,928 | (3,928) |
| Instruction and Curriculum Development | - | - | 126,971 | (126,971) |
| Total Expenditures | <u>378,823</u> | <u>366,673</u> | <u>325,510</u> | <u>41,163</u> |
| Net Changes in Fund Balances | - | - | - | - |
| Fund Balances at Beginning of Year | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Fund Balances at End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS ENDING JUNE 30**

| | FLORIDA RETIREMENT SYSTEM PENSION PLAN | | | | | | | | | |
|---|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| School's Proportion of the Net Pension Liability (Asset) | 0.0057% | 0.0058% | 0.0061% | 0.0061% | 0.0056% | 0.0056% | 0.0061% | 0.0063% | 0.0061% | 0.0068% |
| School's Proportionate Share of the Net Pension Liability (Asset) | \$ 2,192,381 | \$ 2,326,184 | \$ 2,258,455 | \$ 464,361 | \$ 2,441,660 | \$ 1,940,208 | \$ 1,848,646 | \$ 1,860,546 | \$ 1,545,965 | \$ 878,664 |
| School's Covered-Employee Payroll | \$ 3,676,272 | \$ 3,483,583 | \$ 3,119,045 | \$ 2,961,136 | \$ 2,900,847 | \$ 2,759,607 | \$ 2,839,795 | \$ 2,890,938 | \$ 2,725,301 | \$ 2,614,729 |
| School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 59.64% | 66.78% | 72.41% | 15.68% | 84.17% | 70.31% | 65.10% | 64.36% | 56.73% | 33.60% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) | 83.70% | 82.38% | 82.89% | 96.40% | 78.85% | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% |
| | HEALTH INSURANCE SUBSIDY PROGRAM | | | | | | | | | |
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
| School's Proportion of the Net Pension Liability (Asset) | 0.0087% | 0.0087% | 0.0085% | 0.0084% | 0.0084% | 0.0083% | 0.0086% | 0.0090% | 0.0088% | 0.0090% |
| School's Proportionate Share of the Net Pension Liability (Asset) | \$ 1,303,090 | \$ 1,389,361 | \$ 903,232 | \$ 1,025,925 | \$ 1,020,362 | \$ 923,247 | \$ 908,941 | \$ 967,500 | \$ 1,031,360 | \$ 918,946 |
| School's Covered-Employee Payroll | \$ 3,676,272 | \$ 3,483,583 | \$ 3,119,045 | \$ 2,961,136 | \$ 2,900,847 | \$ 2,759,607 | \$ 2,839,795 | \$ 2,890,938 | \$ 2,725,301 | \$ 2,614,729 |
| School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll | 35.45% | 39.88% | 28.96% | 34.65% | 35.17% | 33.46% | 32.01% | 33.47% | 37.84% | 35.14% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset) | 4.80% | 4.12% | 4.81% | 3.56% | 3.00% | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% |

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
LAST 10 FISCAL YEARS ENDING JUNE 30**

FLORIDA RETIREMENT SYSTEM PENSION PLAN

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 298,044 | \$ 320,919 | \$ 280,836 | \$ 259,010 | \$ 234,187 | \$ 187,178 | \$ 174,689 | \$ 174,914 | \$ 163,745 | \$ 149,310 |
| Contributions in Relation to the Contractually Required Contribution | 298,044 | 320,919 | 280,836 | 259,010 | 234,187 | 187,178 | 174,689 | 174,914 | 163,745 | 149,310 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Company's Covered-Employee Payroll | \$ 3,439,300 | \$ 3,676,272 | \$ 3,483,583 | \$ 3,119,045 | \$ 2,961,136 | \$ 2,900,847 | \$ 2,759,607 | \$ 2,839,795 | \$ 2,890,938 | \$ 2,725,301 |
| Contributions as a Percentage of Covered-Employee Payroll | 8.67% | 8.73% | 8.06% | 8.30% | 7.91% | 6.45% | 6.33% | 6.16% | 5.66% | 5.48% |

HEALTH INSURANCE SUBSIDY PROGRAM

| | 2025 | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contribution | \$ 68,786 | \$ 73,544 | \$ 57,548 | \$ 51,600 | \$ 49,161 | \$ 48,157 | \$ 45,819 | \$ 46,572 | \$ 47,887 | \$ 45,359 |
| Contributions in Relation to the Contractually Required Contribution | 68,786 | 73,544 | 57,548 | 51,600 | 49,161 | 48,157 | 45,819 | 46,572 | 47,887 | 45,359 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Company's Covered-Employee Payroll | \$ 3,439,300 | \$ 3,676,272 | \$ 3,483,583 | \$ 3,119,045 | \$ 2,961,136 | \$ 2,900,847 | \$ 2,759,607 | \$ 2,839,795 | \$ 2,890,938 | \$ 2,725,301 |
| Contributions as a Percentage of Covered-Employee Payroll | 2.00% | 2.00% | 1.65% | 1.65% | 1.66% | 1.66% | 1.66% | 1.64% | 1.66% | 1.66% |

**LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Note 1 - Budgetary Basis of Accounting

The Company follows procedures established by state law and State Board of Education (SBE) rules in establishing budget balances, as described below:

- The budget is prepared, public hearings are held, and an original budget is adopted annually in accordance with procedures and time intervals prescribed by state law and SBE rules.
- The budget is prepared using the same modified accrual basis.
- Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at fiscal year-end and encumbrances outstanding are honored from the subsequent year's appropriations.

Note 2 - Pension Liability

A. Changes in Benefit Terms

There were no significant changes in benefit terms during the Pension Plan's fiscal year ended June 30, 2025 or 2024.

B. Changes in Assumption

- FRS—In the July 1, 2015, actuarial valuation, the long-term expected rate of return, net of investment expense, decreased from 7.65% to 7.60%.

In the July 1, 2016, actuarial valuation, the long-term expected rate of return, net of investment expense, decreased from 7.60% to 7.50%.

In the July 1, 2017, actuarial valuation, the long-term expected rate of return, net of investment expense, decreased from 7.50% to 7.40%.

In the July 1, 2018, actuarial valuation, the long-term expected rate of return, net of investment expense, decreased from 7.40% to 7.20%.

In the July 1, 2019, actuarial valuation, the long-term expected rate of return, net of investment expense, decreased from 7.20% to 6.90%.

In the July 1, 2020, actuarial valuation, the long-term expected rate of return, net of investment expense, decreased from 6.90 to 6.80%.

In the July 1, 2021, actuarial valuation, the maximum amortization period was decreased to 20 years for all current and future amortization bases.

LAKE WALES CHARTER SCHOOLS, INC.
HILLCREST ELEMENTARY SCHOOL
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

In the July 1, 2022, actuarial valuation, the long-term expected rate of return, net of investment expense, decreased from 6.80% to 6.70%.

In the July 1, 2023, actuarial valuation, there were no significant changes in actuarial assumptions.

In the July 1, 2024, actuarial valuation, there were no significant changes in actuarial assumptions.

- HIS—In the July 1, 2015, actuarial valuation, the municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

In the July 1, 2016, actuarial valuation, the municipal rate used to determine total pension liability decreased from 3.80% to 2.85%.

In the July 1, 2017, actuarial valuation, the municipal rate used to determine total pension liability increased from 2.85% to 3.58%.

In the July 1, 2018, actuarial valuation, the municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

In the July 1, 2019, actuarial valuation, the municipal rate used to determine total pension liability decreased from 3.87% to 3.50%.

In the July 1, 2020, actuarial valuation, the municipal rate used to determine total pension liability decreased from 3.50% to 2.21%.

In the July 1, 2021, actuarial valuation, the municipal rate used to determine total pension liability decreased from 2.21% to 2.16%.

In the July 1, 2022, actuarial valuation, the municipal rate used to determine total pension liability increased from 2.16% to 3.54%, the demographic assumptions for the Special Risk class were updated to reflect plan changes due to HB007, HB689, and SB838, and the election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.

In the July 1, 2023, actuarial valuation, the discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. Additionally, Chapter 2023-193, Laws of Florida (Senate Bill 7024), increased the level of monthly benefits from \$5.00 times years of service to \$7.50, with an increased minimum of \$45 and maximum of \$225. This change applies to all years of service for both members currently receiving benefits and members not yet receiving benefits.

In the July 1, 2024, actuarial valuation, all demographic assumptions and methods were reviewed as part of the 2024 Experience Study. The coverage election assumptions were updated to reflect recent and anticipated future experience of HIS program participants. The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

ADDITIONAL INFORMATION

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Hillcrest Elementary School (the School) as of and for the year ended June 30, 2025, 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, 2025.

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 as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described below, that we consider to be a material weakness.

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Tampa

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

**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**

2025-01 Material Audit Adjustments

Condition – During the audit, we noted errors in the School's trial balance which resulted in adjustments of approximately \$28,000 to Due from Central Administrative Office and \$144,000 to fund balance. The errors were primarily caused by the following:

- The Company does not have a pooled cash system that automatically posts cash entries when a transaction occurs. Reports used by management to manually determine the amount of cash to transfer did not capture all required transactions. Therefore, while revenues and expenses were appropriately recorded in each of the School's funds, cash was not always transferred to or from the school accordingly.
- Certain accounts are not set up to close properly in the system resulting in expense or revenue transactions reported in a School closing to fund balance in the Central Administrative Office during the year-end close.

Effect – The working trial balance had to be materially corrected to reconcile to the prior year financial statements and to be properly presented for the current year financial statements.

Recommendation – We recommend that the School implement a pooled cash system to minimize the need for manual entries and review accounts in the system to ensure all revenue and expense transactions close to the fund in which they are reported. We also recommend that the School posts all audit adjustments and reconciles the final trial balance to the audited financial statements.

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, non-compliance 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 non-compliance or other matters that are required to be reported under *Government Auditing Standards*.

School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described above. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

**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**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Purvis Gray

September 30, 2025
Gainesville, Florida

MANAGEMENT LETTER

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

Report on the Financial Statements

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Hillcrest Elementary School (the School), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2025, and have issued our report thereon dated September 30, 2025.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 30, 2025, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5., *Rules of the Auditor General*, requires 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 is Lake Wales Charter Schools, Inc. – Hillcrest Elementary School, and the school code assigned by the Florida Department of Education is 1361.

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.

CERTIFIED PUBLIC ACCOUNTANTS

Gainesville | Ocala | Tallahassee | Sarasota | Orlando | Tampa

purvisgray.com

Members of American and Florida Institutes of Certified Public Accountants

To the Board of Trustees of Lake Wales Charter Schools, Inc.
Hillcrest Elementary School, a Charter School and Component Unit
of the District School Board of Polk County, Florida

MANAGEMENT LETTER

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 non-compliance with provisions of contracts or grant agreements, or fraud, waste, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

Purpose of This Letter

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

Purvis Gray

September 30, 2025
Gainesville, Florida



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Hillcrest Elementary School
Management's Corrective Action Plan
For the Fiscal Year Ended June 30, 2025

SUPERINTENDENT
Julie Conrad

Finding Number: 2025-01

Planned Corrective Action:

BOARD OF TRUSTEES
Chair
Dr. Lori Hutto

Vice Chair

Corporate Secretary
Dr. Lynn Johnson

Treasurer
Brian Marbutt

Andy Blair
Tonya Stewart
Jaime Winfree

Chief Financial Officer
Alricky Smith, CPA

Superintendent
Executive Assistant
Marie
Cherrington-Gray, MHR

- The Chief Financial Officer (CFO) concurs with the recommendation and will take action during the 2025-26 fiscal year to implement a pooled cash system that ensures all cash transactions are properly recorded within each fund. The accounting team will work with Skyward to determine if automating cash posting can be executed when recording transactions.
- The CFO will implement a procedure to review all new general ledger codes added to the accounting system, ensuring the accounts will properly close to the correct fund balance.
- The CFO will implement a procedure to review and post all audit adjustments within 30 days of the release of the audited financial statements, ensuring the final trial balance aligns with the report.

Anticipated Completion Date: January 31, 2026

The mission of Lake Wales Charter Schools, Inc. is to bring the best of public education to our community by providing innovation and choice within a continuous pre-school through postsecondary curriculum so that each child recognizes the benefits of life-long learning, constructive citizenship and personal happiness.

The Lake Wales Charter Schools, Inc. is an equal opportunity institution for education and employment.

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