

LAKE WALES CHARTER SCHOOLS, INC.
FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITOR'S REPORTS THEREON
JUNE 30, 2023



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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Lake Wales Charter Schools, Inc. (the "Company") presents management's discussion and analysis of the Company's financial performance during the fiscal year ended June 30, 2023. Please read it in conjunction with the Company's financial statements, which follow this section.

Lake Wales Charter Schools, Inc. operates a system of seven public charter schools in the Lake Wales, Florida area (Dale R. Fair Babson Park Elementary School, Edward W. Bok Academy South, Edward W. Bok Academy North, Hillcrest Elementary School, Janie Howard Wilson Elementary School, Lake Wales High School and Polk Avenue Elementary School). The Company provides certain management, administrative, food and transportation services to the charter schools through a Central Administrative Office. Effective July 1, 2011, the Company became its own local educational agency ("LEA").

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements are presented on a consolidated basis primarily to satisfy the single audit requirements of the Uniform Guidance for the Company's federal programs.

FINANCIAL HIGHLIGHTS

- The Company's net position increased compared to the prior year.
- For the fiscal year ended June 30, 2023, the Company's revenues exceeded expenses by \$2,040,242. This represents a decrease from the prior year when revenues exceeded expenses by \$4,518,194.
- Overall, revenues increased by approximately \$6,176,000, which represents a 12% increase from the prior year.
- Overall, expenses increased by approximately \$8,654,000, which represents a 19% increase from the prior year.

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 Company:

- The first two statements are *government-wide financial statements* that provide both long-term and short-term information about the Company's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the Company, reporting the Company's operations in more detail than the government-wide statements.
 - The *governmental funds* financial statements tell how general 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 Company 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 following information required by the Uniform Guidance: schedule of expenditures of federal awards and accompanying note, independent auditor's report on compliance for each major program and on internal control over compliance required by the Uniform Guidance and the schedule of findings and questioned costs. In addition, it 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*.

The following table summarizes the major features of the Company's financial statements, including the portion of the Company 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 Fund
Scope	Entire Company (except the fiduciary fund)	The activities of the Company that are not proprietary or fiduciary	Instances in which the Company 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 of resources expected to be used up and liabilities/deferred inflows of 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

Government-wide Financial Statements

The government-wide financial statements report information about the Company as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Company's assets and deferred outflows of resources, and its 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 Company's net position and how it has changed. Net position – the difference between the Company's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the Company's financial condition. Over time, increases or decreases in the Company's net position are an indicator of whether its financial condition is improving or deteriorating, respectively. To assess the overall health of the Company, one needs to consider additional non-financial factors such as changes in the student base of the charter schools, the quality of the education provided and the safety of the schools.

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

- Governmental Activities – Most of the Company'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 Company may charge fees to help it cover the costs of certain services it provides. The Company currently has no business-type activities.
- Component Units – There currently are no component units included within the reporting entity of the Company.

Fund Financial Statements

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

The Company currently has two types of funds:

- Governmental Funds – Most of the Company'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 Company'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 Company is the agent, or fiduciary, for assets that belong to others, such as student activities funds. The Company 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 Company excludes these activities from the government-wide financial statements because the Company cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COMPANY AS A WHOLE

Net Position

The Company's combined net position as of June 30, 2023 and 2022 is summarized as follows – see table below.

	Governmental Activities		Increase (Decrease)
	2023	2022	
Current and other assets	\$ 21,413,138	\$ 17,949,196	19%
Capital assets, net	19,367,317	17,273,098	12%
Deferred outflows of resources	9,483,303	8,507,873	11%
Total assets and deferred outflows	<u>50,263,758</u>	<u>43,730,167</u>	<u>15%</u>
Current and other liabilities	2,842,825	3,667,848	-22%
Long-term liabilities	34,898,118	19,074,679	83%
Deferred inflows of resources	1,704,880	12,209,947	-86%
Total liabilities and deferred inflows	<u>39,445,823</u>	<u>34,952,474</u>	<u>13%</u>
Net position:			
Net investment in capital assets	8,412,802	9,823,294	-14%
Restricted	4,640,830	4,364,341	6%
Unrestricted	<u>(2,235,697)</u>	<u>(5,409,942)</u>	<u>59%</u>
Total net position	<u>\$ 10,817,935</u>	<u>\$ 8,777,693</u>	<u>23%</u>

The statement of net position provides the perspective of the Company and its charter schools. The Company ended its fiscal year with a net position of \$10,817,935 as of June 30, 2023. Net investment in capital assets, totaling \$8,412,802 compares the original cost, less depreciation of the Company's capital assets, to long-term debt used to finance the acquisition of those assets. Restricted net position is reported separately to show legal constraints due to debt covenants and legislation that limit the Company's ability to use those assets for day-to-day operations. The (\$2,235,697) in unrestricted net position of governmental activities represents the accumulated results of prior years' operations and the amount of discretionary resources that can be used to fund the charter schools' general operations, which includes pension balances under GASB 68. The Company has the resources available to meet all current obligations.

Current and other assets totaled \$21,413,138, most of which represents cash and cash equivalents. Since the Company maintains cash deposits on a pooled basis for all of its charter schools, the cash balance increased as a result of an overall operating surplus generated by the charter schools. Net capital assets increased due to capital asset additions exceeding current year depreciation. Deferred outflows of resources and deferred inflows of resources relate to the Company's participation in the state's pension plans.

The current and other liabilities balance reflects both accounts payable and payroll liability obligations, which decreased due to the timing of payments near year-end. Long-term liabilities include long-term debt obligations of the system, employee compensated absences and the net pension liability. See Note 7 for additional pension plan information. Additional information on the Company's long-term liabilities is presented in Note 6 to the financial statements.

Change in Net Position

The Company's total revenues increased by 12% to \$56,202,778, and the total cost of all programs and services increased by 19% to \$54,162,536 – see table below.

	Governmental Activities		Increase
	2023	2022	(Decrease)
Revenues:			
Federal sources	\$ 16,251,114	\$ 13,164,907	23%
State and local sources	38,143,435	35,429,277	8%
Contributions and other revenue	1,808,229	1,432,252	26%
Total revenues	<u>56,202,778</u>	<u>50,026,436</u>	<u>12%</u>
Expenses:			
Instruction	31,976,665	25,957,260	23%
Student support services	1,675,141	1,535,972	9%
Instructional media	327,883	229,491	43%
Instruction and curriculum development	2,546,301	1,646,698	55%
Instructional staff training	120,965	189,694	-36%
Instruction-related technology	289,464	376,315	-23%
Board	198,982	240,857	-17%
General administration	1,001,024	655,778	53%
School administration	4,044,028	2,999,670	35%
Facilities acquisition and construction	248,217	471,067	-47%
Fiscal services	509,416	505,454	1%
Food services	3,198,866	3,289,097	-3%
Central services	86,449	228,268	-62%
Pupil transportation	2,541,929	2,330,228	9%
Operation of plant	4,022,423	3,611,588	11%
Maintenance of plant	106,059	100,477	6%
Administrative technology services	118,123	123,249	-4%
Community services	881,430	694,803	27%
Interest	269,171	322,276	-16%
Total expenses	<u>54,162,536</u>	<u>45,508,242</u>	<u>19%</u>
Change in net position	<u>\$ 2,040,242</u>	<u>\$ 4,518,194</u>	<u>-55%</u>

The majority of the Company's revenue is provided through the state's FEFP, state categorical educational programs and local property taxes (68% of the Company's total governmental revenues) to fund current operations. Revenues from state and local sources increased due to an increase in student enrollment. The Company received approximately 29% of its total revenues from federal sources – a combination of federal entitlement revenues, National School Breakfast and Lunch Program, Education Stabilization Funds, E-Rate and Child Care Stabilization Grant funding in fiscal 2023. The increase in Title I Grants to Local Educational Agencies, IDEA and Education Stabilization Funds accounts for the majority of the increase in revenues from federal sources. The remaining portion of the Company's revenue (3%) is the result of contributions and program revenue, which increased 26% in fiscal 2023, primarily due to an increase in a la carte and other food sales.

Instruction and instruction-related activities represent 68% of the Company's expenses, which increased approximately 23% during fiscal 2023, a result of increased expenditures for educational services to students plus an increase in pension expense. The remaining cost portion of government-wide activity representing the board, general and administrative support services, facilities acquisition and construction, finance, food services, central services, transportation, operation and maintenance of plant, administrative technology services, community services and interest expense accounted for 32% of the total expenses. These administrative and business support functions increased 11% compared to last year. General administration increased due to an increase in salaries and related expenses in this function. School administration increased due to an increase in health insurance, compensated absences and pension expense. Operation of plant increased due to overall increases in utility charges and repairs and maintenance for school facilities. Community services increased as a result of growth in the athletics program, as well as increases in depreciation expense related to assets purchased. Overall, total governmental revenues exceeded total expenses during 2023, causing a net position increase of \$2,040,242 as a result of ongoing operations.

FINANCIAL ANALYSIS OF THE COMPANY'S FUNDS

As the Company completed the year, its governmental funds reported a combined fund balance of \$18,476,699, which is an increase from the prior year. Both revenues and expenditures changed overall for the same reasons described above.

General and Special Revenue Fund Budgetary Highlights

Over the course of the fiscal year, the Company 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 the year ended June 30, 2023, actual general fund revenues were approximately \$630,000 above the budgeted amounts, which represents a 2% budget variance. Actual general fund expenditures were approximately \$555,000 below the budgeted amounts, which represents a 1% budget variance.

For the year ended June 30, 2023, actual special revenue fund revenues were approximately \$6,606,000 below the budgeted amounts, which represents a 28% budget variance. Actual special revenue fund expenditures were approximately \$6,780,000 below budgeted amounts, which represents a 29% budget variance. These variances were primarily due to a higher amount of Education Stabilization Funds budgeted than received and expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2023, the Company had invested \$19,367,317 in capital assets (net of accumulated depreciation). See table below:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2023</u>	<u>2022</u>	<u>(Decrease)</u>
Land	\$ 769,882	\$ 769,882	0%
Construction in progress	-	6,581,053	-100%
Improvements other than buildings	3,311,363	2,570,026	29%
Buildings	17,267,029	9,214,726	87%
Furniture, fixtures and equipment	7,269,530	6,074,892	20%
Motor vehicles	1,627,259	1,584,388	3%
Computer software	357,655	357,655	0%
Less accumulated depreciation	<u>(11,235,401)</u>	<u>(9,879,524)</u>	<u>-14%</u>
Total capital assets, net	<u>\$ 19,367,317</u>	<u>\$ 17,273,098</u>	<u>12%</u>

Certain reclassifications were made in the 2022 amounts to conform to their classifications in 2023.

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

- Edward W. Bok Academy North campus improvements - \$1,514,126
- Food service equipment - \$480,401
- Computer and network equipment - \$424,363
- Athletic improvements and equipment - \$191,608
- Greenhouses - \$153,676

The Company's fiscal year 2024 capital budget does not include significant spending related to capital projects. More detailed information about the Company's capital assets is presented in Note 4 to the financial statements.

Long-term Debt

As of June 30, 2023, the Company had \$10,954,515 in borrowings outstanding, as compared to \$7,449,804 in the prior year, consisting of lease liabilities, bonds payable and notes payable. The increase in long-term liabilities is due to a new note payable for buses and additional bonds issued for the Edward W. Bok Academy North campus construction, offset by payments made during the year. More detailed information about the Company's long-term liabilities is presented in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2024:

- Student enrollment and state educational funding per pupil
- Cost of goods and services
- Competitive employee compensation

Amounts available for appropriation in the general fund are \$40,673,779, an increase of 5% from the actual 2023 amount of \$38,830,179. The fiscal year 2023 budget is based on a slightly higher student count than the official student membership count funded in 2023.

Budgeted general fund expenditures are expected to be \$40,673,779, an increase of 8% from the fiscal 2023 actual figure of \$37,645,299. The increased expenditure base includes resources allocated for salary increases, the rising cost of health care and other fixed recurring costs for Company operations. The Company is confident that it has staff and other resources in place to enhance academic achievement at all student-learning levels and effectively serve its anticipated student membership.

If these estimates are realized, the Company's budgetary general fund balance is expected to remain the same by the close of fiscal 2024.

CONTACTING THE COMPANY'S FINANCIAL MANAGEMENT

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

**INDEPENDENT AUDITOR’S REPORT ON BASIC
FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

To the Board of Trustees of Lake Wales Charter Schools, Inc.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. (the “Company”) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Company’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 Lake Wales Charter Schools, Inc. as of June 30, 2023, 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 Company 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.



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 Company's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 Company'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 Company'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 1 – 8, the budgetary comparison information on pages 42 – 43 and the pension information on pages 44 – 45 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Company's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2024 on our consideration of the Company'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 Company'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 Company's internal control over financial reporting and compliance.

BKHM, P.A.

Orlando, Florida
July 10, 2024

LAKE WALES CHARTER SCHOOLS, INC.

STATEMENT OF NET POSITION

JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 16,232,010
Restricted cash	2,018,745
Accounts receivable	2,636,543
Prepaid expenses and other current assets	525,840
Capital assets, net	19,367,317
Total assets	40,780,455
DEFERRED OUTFLOWS OF RESOURCES	
Pension related deferred outflows of resources	9,483,303
Total assets and deferred outflows of resources	\$ 50,263,758
LIABILITIES	
Accounts payable and accrued expenses	\$ 2,794,238
Unearned revenue	48,587
Long-term liabilities:	
Due within one year	1,929,699
Due in more than one year	32,968,419
Total liabilities	37,740,943
DEFERRED INFLOWS OF RESOURCES	
Pension related deferred inflows of resources	1,704,880
NET POSITION	
Net investment in capital assets	8,412,802
Restricted for:	
Food service	2,164,621
Start-up school capital improvements	457,464
Certificate of deposit serving as collateral for note payable	2,018,745
Unrestricted	(2,235,697)
Total net position	10,817,935
Total liabilities, deferred inflows of resources and net position	\$ 50,263,758

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

LAKE WALES CHARTER SCHOOLS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2023

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Governmental activities:						
Instruction	\$ 31,976,665	\$ 603,458	\$ 6,625,593	\$ -	\$ (24,747,614)	\$ (24,747,614)
Student support services	1,675,141	-	1,241,306	-	(433,835)	(433,835)
Instructional media	327,883	-	23,882	-	(304,001)	(304,001)
Instruction and curriculum development	2,546,301	-	2,234,664	-	(311,637)	(311,637)
Instructional staff training	120,965	-	36,364	-	(84,601)	(84,601)
Instruction-related technology	289,464	-	-	-	(289,464)	(289,464)
Board	198,982	-	-	-	(198,982)	(198,982)
General administration	1,001,024	-	283,778	-	(717,246)	(717,246)
School administration	4,044,028	-	82,672	-	(3,961,356)	(3,961,356)
Facilities acquisition and construction	248,217	-	-	-	(248,217)	(248,217)
Fiscal services	509,416	-	-	-	(509,416)	(509,416)
Food services	3,198,866	467,529	3,053,991	-	322,654	322,654
Central services	86,449	-	-	-	(86,449)	(86,449)
Pupil transportation	2,541,929	-	134,547	-	(2,407,382)	(2,407,382)
Operation of plant	4,022,423	-	1,467,927	-	(2,554,496)	(2,554,496)
Maintenance of plant	106,059	-	-	-	(106,059)	(106,059)
Administrative technology services	118,123	-	-	-	(118,123)	(118,123)
Community services	881,430	115,702	-	-	(765,728)	(765,728)
Interest	269,171	-	-	-	(269,171)	(269,171)
Total primary government	<u>\$ 54,162,536</u>	<u>\$ 1,186,689</u>	<u>\$ 15,184,724</u>	<u>\$ -</u>	<u>(37,791,123)</u>	<u>(37,791,123)</u>
General revenues:						
Federal sources					1,066,390	1,066,390
State and local sources					38,143,435	38,143,435
Contributions and other revenue					621,540	621,540
Total general revenues					<u>39,831,365</u>	<u>39,831,365</u>
Change in net position					2,040,242	2,040,242
Net position at beginning of year					8,777,693	8,777,693
Net position at end of year					<u>\$ 10,817,935</u>	<u>\$ 10,817,935</u>

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

LAKE WALES CHARTER SCHOOLS, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 15,259,129	\$ 972,881	\$ -	\$ 16,232,010
Restricted cash	2,018,745	-	-	2,018,745
Accounts receivable	81,623	2,407,532	147,388	2,636,543
Due from general fund	-	-	1,569,923	1,569,923
Prepaid expenditures and other current assets	525,840	-	-	525,840
Total assets	<u>\$ 17,885,337</u>	<u>\$ 3,380,413</u>	<u>\$ 1,717,311</u>	<u>\$ 22,983,061</u>
LIABILITIES				
Accounts payable and accrued expenditures	\$ 1,627,033	\$ 1,167,205	\$ -	\$ 2,794,238
Unearned revenue	-	48,587	-	48,587
Due to capital projects fund	1,569,923	-	-	1,569,923
Total liabilities	<u>3,196,956</u>	<u>1,215,792</u>	<u>-</u>	<u>4,412,748</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue on long-term receivables	<u>-</u>	<u>-</u>	<u>93,614</u>	<u>93,614</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenditures and other current assets	525,840	-	-	525,840
Restricted for:				
Food service	-	2,164,621	-	2,164,621
Start-up school capital improvements	-	-	457,464	457,464
Certificate of deposit serving as collateral for note payable	2,018,745	-	-	2,018,745
Unassigned	12,143,796	-	1,166,233	13,310,029
Total fund balances	<u>14,688,381</u>	<u>2,164,621</u>	<u>1,623,697</u>	<u>18,476,699</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 17,885,337</u>	<u>\$ 3,380,413</u>	<u>\$ 1,717,311</u>	<u>\$ 22,983,061</u>

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

LAKE WALES CHARTER SCHOOLS, INC.
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total fund balances - total governmental funds \$ 18,476,699

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

Receivables not expected to be received within 60 days of fiscal year end are not considered "available" revenue in the governmental funds and, therefore, are reported as deferred inflows. In the Statement of Net Position, which is presented on the accrual basis, no deferral is reported since the revenue has already been fully recognized in the Statement of Activities. 93,614

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 \$30,602,718, and the accumulated depreciation is \$11,235,401. 19,367,317

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. (1,264,955)

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	9,483,303
Net pension liability	(22,678,648)
Pension related deferred inflows of resources	(1,704,880)

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

Lease liabilities	(40,000)
Bonds payable	(7,874,697)
Notes payable	(3,039,818)

Total net position - governmental activities \$ 10,817,935

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

LAKE WALES CHARTER SCHOOLS, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal sources	\$ -	\$ 16,251,114	\$ -	\$ 16,251,114
State and local sources	37,489,481	-	653,954	38,143,435
Contributions and other revenue	1,340,698	467,531	-	1,808,229
Total revenues	<u>38,830,179</u>	<u>16,718,645</u>	<u>653,954</u>	<u>56,202,778</u>
EXPENDITURES				
Current:				
Instruction	24,173,638	6,625,593	-	30,799,231
Student support services	438,033	1,241,306	-	1,679,339
Instructional media	304,669	23,882	-	328,551
Instruction and curriculum development	238,300	2,234,664	-	2,472,964
Instructional staff training	89,763	36,364	-	126,127
Instruction-related technology	225,432	-	-	225,432
Board	198,982	-	-	198,982
General administration	627,894	373,130	-	1,001,024
School administration	3,654,544	82,672	-	3,737,216
Facilities acquisition and construction	18,530	-	1,472,966	1,491,496
Fiscal services	500,133	-	34	500,167
Food services	-	3,203,338	-	3,203,338
Central services	79,465	6,984	-	86,449
Pupil transportation	2,327,017	134,547	-	2,461,564
Operation of plant	2,265,848	1,467,927	200,450	3,934,225
Maintenance of plant	66,037	-	2,496	68,533
Administrative technology services	102,947	-	-	102,947
Community services	752,922	-	-	752,922
Debt service:				
Principal	577,998	-	237,173	815,171
Interest	139,118	-	130,053	269,171
Capital outlay	864,029	1,114,817	-	1,978,846
Total expenditures	<u>37,645,299</u>	<u>16,545,224</u>	<u>2,043,172</u>	<u>56,233,695</u>
Excess (deficiency) of revenues over expenditures	<u>1,184,880</u>	<u>173,421</u>	<u>(1,389,218)</u>	<u>(30,917)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from bonds payable	-	-	4,057,952	4,057,952
Proceeds from notes payable	261,930	-	-	261,930
Operating transfer in	-	-	400,000	400,000
Operating transfer out	(400,000)	-	-	(400,000)
Total other financing sources (uses)	<u>(138,070)</u>	<u>-</u>	<u>4,457,952</u>	<u>4,319,882</u>
Net changes in fund balances	1,046,810	173,421	3,068,734	4,288,965
Fund balances at beginning of year	13,641,571	1,991,200	(1,445,037)	14,187,734
Fund balances at end of year	<u>\$ 14,688,381</u>	<u>\$ 2,164,621</u>	<u>\$ 1,623,697</u>	<u>\$ 18,476,699</u>

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

LAKE WALES CHARTER SCHOOLS, INC.
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, 2023

Net changes in fund balances - total governmental funds \$ 4,288,965

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$3,450,096) exceed depreciation expense (\$1,355,877) in the current period. 2,094,219

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. (248,595)

Pension income or expense resulting from GASB 68 included 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. (589,636)

Repayments of long-term liabilities are reported as expenditures in the governmental funds because they require the use of current financial resources. They are reported as a reduction in long-term liabilities in the statement of net position. This amount represents the current year repayment of principal on long-term debt and the lease liabilities. 815,171

Proceeds from long-term debt are reported as other financing sources in the governmental funds because they provide current financial resources. They are reported as an increase in long-term liabilities in the statement of net position.

Proceeds from bonds payable (4,057,952)
 Proceeds from notes payable (261,930)

Change in net position of governmental activities \$ 2,040,242

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

LAKE WALES CHARTER SCHOOLS, INC.
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Custodial Fund
ASSETS	
Cash and cash equivalents	\$ 466,423
Total assets	\$ 466,423
NET POSITION	
Restricted for:	
Student activities	\$ 466,423
Total liabilities and net position	\$ 466,423

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

LAKE WALES CHARTER SCHOOLS, INC.
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

	Custodial Fund
ADDITIONS	
Collections for student activities	\$ 1,275,218
Total additions	1,275,218
DEDUCTIONS	
Payments for student activities	1,231,802
Total deductions	1,231,802
Change in net position	43,416
Net position at beginning of year	423,007
Net position at end of year	\$ 466,423

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

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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. The Company operates a system of seven public charter schools in the Lake Wales, Florida area (Dale R. Fair Babson Park Elementary School, Edward W. Bok Academy South, Edward W. Bok Academy North, Hillcrest Elementary School, Janie Howard Wilson Elementary School, Lake Wales High School and Polk Avenue Elementary School) (collectively, the "Charter Schools"). The Company provides certain management and administrative services to the Charter Schools through a Central Administrative Office. The governing body of the Company 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 Charter Schools (except Edward W. Bok Academy South and Edward W. Bok Academy North) converted from traditional public schools to public charter schools. Edward W. Bok Academy South ("Bok South") commenced formal operations on July 1, 2008. Edward W. Bok Academy North ("Bok North") commenced formal operations on July 1, 2018. Effective July 1, 2011, the Company became its own local educational agency ("LEA").

The general operating authority of the Charter Schools is contained in Section 1002.33, Florida Statutes. The Charter Schools operate under charters of the sponsoring school district, the District School Board of Polk County, Florida (the "School Board"). The current charters are effective until the following dates:

Edward W. Bok Academy South	June 30, 2027
Dale R. Fair Babson Park Elementary School, Hillcrest Elementary School, Janie Howard Wilson Elementary School and Polk Avenue Elementary School	June 30, 2028
Edward W. Bok Academy North and Lake Wales High School	June 30, 2033

The charters may be renewed by mutual written agreement between the Charter Schools and the School Board. At the end of the term of the charters, the School Board may choose not to renew the respective charters under grounds specified in the respective charter agreements. In this case, the School Board is required to notify the Charter Schools in writing at least 90 days prior to the charters' expiration. During the term of the charters, the School Board may also terminate the charters if good cause is shown. In the event of termination of the charters, any property purchased by the Charter Schools with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. Any unencumbered capital outlay funds revert back to the Florida Department of Education ("FDOE") to be redistributed among eligible charter schools.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The Charter Schools are considered component units of the School Board and meet the definition of governmental entities under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the Charter Schools are required to follow generally accepted accounting principles applicable to state and local governmental units. The Company has also elected this same form of financial reporting. The Company is not considered a component unit of the School Board since it became its own LEA.

Criteria for determining if other entities are potential component units of the Company which should be reported with the Company'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 Company is financially accountable and other organizations for which the nature and significance of their relationship with the Company are such that exclusion would cause the Company's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Company.

Basis of Presentation

The Company's financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the GASB. Accordingly, both government-wide and fund financial statements are presented.

The government-wide financial statements report information about the Company as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Company'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.

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

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

- Governmental Activities – Most of the Company'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 Company may charge fees to help it cover the costs of certain services it provides. The Company currently has no business-type activities.
- Component Units – There currently are no component units included within the reporting entity of the Company.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The fund financial statements provide more detailed information about the Company's most significant funds, not the Company as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses.

Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

- General Fund – To account for all financial resources not required to be accounted for in another fund.
- Special Revenue Fund – To account for the proceeds of specific revenue sources and federal 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.
- Capital Projects Fund – To account for all resources for the acquisition of capital items purchased with capital outlay and state capital appropriation funds, private foundation funds for building construction and insurance proceeds from hurricane damage.

For purposes of these statements, the general, special revenue and capital projects funds constitute major funds. There are no other governmental funds.

Fiduciary Fund:

- Custodial Fund – The Company is the custodian, or fiduciary, for assets that belong to others, such as student activities funds. The Company 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 Company excludes these activities from the government-wide financial statements because the Company cannot use these assets to finance its operations.

Basis of Accounting

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

The government-wide and fiduciary fund financial statements are presented using the accrual basis of accounting and an economic resources focus. Under the accrual basis of accounting, revenues and expenses are recognized when they occur.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The modified accrual basis of accounting and current financial resources focus is followed by the governmental funds. Under the modified accrual basis, revenues are recognized when they become measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Company considers revenues to be available if they are collected within sixty days of the end of the fiscal year. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred. The principal exceptions to this general rule are: (1) interest on general long-term debt is recognized when due and (2) expenditures related to liabilities reported as general long-term debt are recognized when due.

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, 2023, the Company maintained cash deposits on a pooled basis for all of the Charter Schools. Cash deposits are generally 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 as required by Chapter 280, Florida Statutes. The Company's cash consists primarily of demand deposits with financial institutions.

The Company's restricted cash consists of a certificate of deposit with a financial institution, which serves as collateral for the mortgage note payable described in Note 6. This certificate of deposit is held by a qualified public depository, insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Accounts Receivable

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

Capital Assets and Depreciation

Expenditures for capital assets acquired for general Company purposes are reported in the governmental fund that financed the acquisition. Purchased capital assets are reported at cost, net of accumulated depreciation, in the government-wide financial statements. Donated assets are recorded at fair value at the date of donation.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

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 - 20
Buildings	30
Furniture, fixtures and equipment	3 - 7
Motor vehicles	3 - 7
Computer software	3

Information relative to changes in capital assets is described in Note 4.

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. The liability for compensated absences is classified as a long-term liability that is due within one year in the government-wide financial statements because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated. Information relative to changes in long-term liabilities is described in Note 6.

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. Information relative to changes in long-term debt is described in Note 6.

Fund Balance Spending Policy

The Company'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.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

The Charter Schools are individually 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 Charter Schools 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 Company's other funds.

Revenue Sources

Revenues for current operations are received primarily from the School Board pursuant to the funding provisions included in the Charter Schools' charters. As such, the Charter Schools' revenue streams are largely dependent upon the general state of the economy and the amounts allotted to the FDOE by the state legislature. In accordance with the funding provisions of the charters and Section 1002.33(18), Florida Statutes, the Charter Schools report 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 Charter Schools 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 Charter Schools during the designated full-time equivalent student survey periods. The School Board receives a 5% administrative fee from the Charter Schools, 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 Company 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.

Bok South and Bok North are eligible for charter school capital outlay funding. The amounts received under this program are based on actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying statement of net position and balance sheet – governmental funds.

Income Taxes

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

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources as of the date of the statement of net position and the balance sheet – governmental funds and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

Subsequent Events

The Company has evaluated subsequent events through July 10, 2024, the date these financial statements were available to be issued.

2 INTERFUND ACTIVITIES

Due to/from other funds consisted of the following balances as of June 30, 2023:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General fund	\$ -	\$ 1,569,923
Capital projects fund	1,569,923	-
Total interfund	<u>\$ 1,569,923</u>	<u>\$ 1,569,923</u>

The amounts payable are to cover temporary cash shortages related to the timing of receipts.

A summary of transfers between funds for the year ended June 30, 2023 is shown below:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 400,000
Capital projects fund	400,000	-
Total interfund	<u>\$ 400,000</u>	<u>\$ 400,000</u>

The general purpose for transfers is to move funds for the payment of costs related to construction in progress.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

3 ACCOUNTS RECEIVABLE

Accounts receivable included in the accompanying financial statements include \$2,636,543 in funds receivable from the Lake Wales Charter Schools Foundation and from federal and state agencies under various grants, as follows:

Education Stabilization Funds	\$ 1,467,925
Title I Grants to Local Educational Agencies	438,029
Special Education - Grants to States (IDEA, Part B)	215,182
Title I Unified School Improvement Grant	145,207
Lake Wales Charter Schools Foundation	93,614
Health insurance program receivable	80,000
Charter School Capital Outlay	53,774
Supporting Effective Instruction State Grant	51,870
National School Lunch Program	38,086
English Language Acquisition State Grant	16,671
Student Support and Academic Enrichment Program	14,957
Education for Homeless Children and Youth	12,144
Reserve Officer Training Corps (ROTC)	6,848
Career and Technical Education - Basic Grants to States (Perkins IV)	613
Other	<u>1,623</u>
Total	<u>\$ 2,636,543</u>

Based on collectibility of funds from these sources, the Company believes that an allowance for doubtful accounts is not considered necessary.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

4 CHANGES IN CAPITAL ASSETS

Capital asset activity during 2023 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 769,882	\$ -	\$ -	\$ 769,882
Construction in progress	6,581,053	-	(6,581,053)	-
Total capital assets not being depreciated	<u>7,350,935</u>	<u>-</u>	<u>(6,581,053)</u>	<u>769,882</u>
Capital assets being depreciated:				
Improvements other than buildings	2,570,026	741,337	-	3,311,363
Buildings	9,214,726	8,052,303	-	17,267,029
Furniture, fixtures and equipment	6,074,892	1,194,638	-	7,269,530
Motor vehicles	1,584,388	42,871	-	1,627,259
Computer software	357,655	-	-	357,655
Total capital assets being depreciated	<u>19,801,687</u>	<u>10,031,149</u>	<u>-</u>	<u>29,832,836</u>
Less accumulated depreciation for:				
Improvements other than buildings	(1,385,085)	(148,344)	-	(1,533,429)
Buildings	(2,371,886)	(584,738)	-	(2,956,624)
Furniture, fixtures and equipment	(4,491,404)	(405,414)	-	(4,896,818)
Motor vehicles	(1,273,494)	(217,381)	-	(1,490,875)
Computer software	(357,655)	-	-	(357,655)
Total accumulated depreciation	<u>(9,879,524)</u>	<u>(1,355,877)</u>	<u>-</u>	<u>(11,235,401)</u>
Capital assets being depreciated, net	<u>9,922,163</u>	<u>8,675,272</u>	<u>-</u>	<u>18,597,435</u>
Governmental activities capital assets, net	<u>\$ 17,273,098</u>	<u>\$ 8,675,272</u>	<u>\$ (6,581,053)</u>	<u>\$ 19,367,317</u>

Certain reclassifications were made in the 2022 amounts to conform to their classifications in 2023.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS (continued)

Depreciation expense was charged to functions as follows:

Governmental activities:	
Instruction	\$ 594,975
Student support services	748
Instructional media	239
Instruction and curriculum development	28,732
Instruction-related technology	64,032
School administration	68,085
Facilities acquisition and construction	227,971
Food services	6,814
Pupil transportation	75,132
Operation of plant	107,939
Maintenance of plant	37,526
Administrative technology services	15,176
Community services	128,508
	<hr/>
Total governmental activities depreciation expense	\$ 1,355,877

5 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The Company 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 Company 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, 2023 may be impaired. In the opinion of the Company, 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 Company 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, health and hospitalization, 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.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

6 LONG-TERM LIABILITIES

Long-term liabilities activity during fiscal year 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Compensated absences	\$ 1,016,360	\$ 248,595	\$ -	\$ 1,264,955	\$ 1,264,955
Lease liabilities	415,025	-	(375,025)	40,000	40,000
Bonds payable	3,983,170	4,057,952	(166,425)	7,874,697	234,253
Notes payable	3,051,609	261,930	(273,721)	3,039,818	390,491
Net pension liability	10,608,515	12,070,133	-	22,678,648	-
Governmental activities, long-term liabilities	<u>\$ 19,074,679</u>	<u>\$16,638,610</u>	<u>\$ (815,171)</u>	<u>\$ 34,898,118</u>	<u>\$ 1,929,699</u>

Lease Liabilities

The Company leases buses under lease agreements that require monthly principal and interest payments of approximately \$36,000 through August 2023. The discount rate used for these leases ranges from 5.00% to 7.25%.

The Company also leases computer equipment under lease agreements that require annual principal and interest payments of approximately \$131,000 through September 2023. The discount rate used for these leases ranges from 3.43% to 3.44%.

Leased assets as of June 30, 2023 consist of the following:

	Governmental Activities
Motor vehicles	\$ 705,600
Furniture, fixtures and equipment	379,906
Less accumulated depreciation	(635,893)
	<u>\$ 449,613</u>

Future debt service requirements related to the leases are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 40,000	\$ 174	\$ 40,174
	<u>\$ 40,000</u>	<u>\$ 174</u>	<u>\$ 40,174</u>

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

Bonds Payable

On September 1, 2021, the Company entered into an agreement with Polk County Industrial Development Authority (the "Issuer"). The Issuer has agreed to issue Industrial Development Revenue Bonds, Series 2021, in the principal amount of up to \$8,000,000 (the "Bonds"). The Bonds will be used to finance the cost of (i) construction, equipping and renovation of certain improvements on the Edward W. Bok Academy North campus; (ii) site development and construction of a new approximately 30,000 square foot instructional building consisting of 18 classrooms; (iii) renovation of a cafeteria building and other improvements related thereto; and (iv) to pay for other costs of issuing the bonds (the "Project").

The Bonds will be privately placed with Citizens Bank and Trust (the "Lender") and do not constitute a debt, liability or obligation of the Issuer or of the State of Florida or of any other political subdivision. The Lender has agreed to purchase the bonds by making advances to the Company in order to provide funds to finance the Project. Proceeds from this note are recorded in the capital projects fund of the Company.

The Issuer has no obligation for the debt beyond the resources provided by the facilities. The Company shall pay directly to the Lender, for the account of the Issuer, on or before the dates required under the Bonds and under the financing agreement. The Bonds are subject to a 10-year fixed interest rate of 2.40%. The initial rate will be the floor; each subsequent adjusted rate will be based on the 5-year Treasury Rate at the date of change plus a margin of 2.40%. The Bonds were issued at par.

The agreement required interest only payments for the first 12 months (November 2021 to October 2022) based on the outstanding balance and 9 years of principal and interest payments followed by a one-time adjustment for the next five-year payment period and another one-time adjustment for the next five-year payment period and a final one-time adjustment for the last five-year payment period, all based on a 24-year amortization.

The financing agreement for the Bonds described above contains certain covenants with which the Company must comply. As of June 30, 2023, the Company was in compliance with all restrictive covenants.

The Bonds have an outstanding balance of \$7,874,697 as of June 30, 2023. The bond maturity date is October 1, 2046.

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Future debt service requirements related to the bonds payable are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 234,253	\$ 170,910	\$ 405,163
2025	261,489	180,507	441,996
2026	267,835	174,161	441,996
2027	274,334	167,662	441,996
2028	280,991	161,005	441,996
2029 - 2033	1,510,599	699,381	2,209,980
2034 - 2038	1,702,993	506,987	2,209,980
2039 - 2043	1,919,888	290,092	2,209,980
2034 - 2047	1,422,315	59,395	1,481,710
Total	<u>\$ 7,874,697</u>	<u>\$ 2,410,100</u>	<u>\$ 10,284,797</u>

Notes Payable

Notes payable consist of the following as of June 30, 2023:

<p>Mortgage note payable to a financial institution; principal and interest of \$23,500 due monthly at 2.95%; interest rate will be adjusted in 2024 and 2029 to the FHLB 7 year Principal Reducing Credit ("PRC") rate plus 1.13%; maturity date of April 2033; secured by a first mortgage on the Edward W. Bok Academy South school facility; all furniture, fixtures and equipment of the Company and the Charter Schools; and a \$2,000,000 certificate of deposit.</p>	\$ 2,359,475
<p>Mortgage note payable to a financial institution; principal and interest of \$2,557 due monthly at 3.82% with a balloon payment due at maturity; maturity date of March 2025; secured by a first mortgage on the central administration building and related furniture, fixtures and equipment.</p>	51,416
<p>Note payable to a financial institution; principal and interest of \$6,147 due monthly at 5.89%; maturity date of February 2027; secured by ten buses.</p>	242,342
<p>Mortgage note payable to the City of Lake Wales; annual payments of \$28,750; maturity date of November 2039; secured by a first mortgage on the Edward W. Bok Academy North land and building; the note carries a 0% interest rate and is presented net of an imputed interest discount of 2.75%.</p>	<u>386,585</u>
<p>Total long-term debt</p>	3,039,818
<p>Less amount due or payable within one year</p>	<u>(390,491)</u>
<p>Amount due or payable after one year</p>	<u>\$ 2,649,327</u>

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

In connection with the \$2,359,475 mortgage note payable described above, in January 2014, the Company entered into a Memorandum of Agreement with the City of Lake Wales, Florida (the "Issuer"). Under the agreement, the Issuer declared its intention to issue and sell its City of Lake Wales – Industrial Development Revenue Bonds, Series 2014 (the "Bonds") for the purpose of refinancing the outstanding portion of the mortgage loan dated June 24, 2008 related to the Edward W. Bok Academy South school facility and to pay for costs associated with the issuance of the Bonds. The Bonds were privately placed with Citizens Bank & Trust (the "Lender") and do not constitute a debt, liability or obligation of the Issuer, Polk County, Florida or of the State of Florida or of any other political subdivision. The Company agreed to pay all fees and expenses of the Issuer and the Lender in connection with the issuance and sale of the Bonds.

The loan agreement for the \$2,359,475 mortgage note payable described above contains certain covenants with which the Company must comply. As of June 30, 2023, the Company was in compliance with all restrictive covenants.

Future debt service requirements related to notes payable are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 390,491	\$ 91,769	\$ 482,260
2025	387,615	79,956	467,571
2026	369,880	68,653	438,533
2027	349,287	57,347	406,634
2028	302,200	48,726	350,926
2029 - 2033	1,059,095	122,441	1,181,536
2034 - 2038	125,550	18,200	143,750
2039 - 2040	55,700	1,800	57,500
Total	<u>\$ 3,039,818</u>	<u>\$ 488,892</u>	<u>\$ 3,528,710</u>

7 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 Company participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited annual comprehensive financial report ("ACFR") on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the ACFR, which is available online or by contacting the Division.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

The Florida Retirement System (“FRS”) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (“DROP”) available for eligible employees. The FRS was established 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 Health Insurance Subsidy (“HIS”) Program is a 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 retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2022, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported by the Company is reduced by these amounts.

Total employer contributions are determined on a uniform basis (blended rate) as required by Part III of Chapter 121, Florida Statutes. Employer contributions reflected in the financial statements represent contributions specific to each defined benefit plan and do not equal total blended contributions remitted by the employer.

Contribution rates 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%	11.91%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.06% for administration of the Florida Retirement System Investment Plan 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 reemployed.

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

Information About the Employer's Proportionate Share of the Collective Net Pension Liability

Assumptions and Other Inputs

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The Division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2019 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. 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.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.54% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table.

The following changes in actuarial assumptions occurred in 2022:

- FRS: The long-term expected rate of return was decreased from 6.80% to 6.70%.
- HIS: The demographic assumptions for the Special Risk class were updated to reflect plan changes due to HB5007, HB689, and SB838.
- HIS: The election assumption for vested terminated members was updated from 20% to 50% to reflect recent experience.
- HIS: The municipal bond rate used to determine total pension liability was increased from 2.16% to 3.54%.

LAKE WALES CHARTER SCHOOLS, INC.

**NOTES TO FINANCIAL STATEMENTS
(continued)**

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 collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2022:

Company's Proportionate Share of FRS Net Pension Liability			Company's Proportionate Share of HIS Net Pension Liability		
1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
5.70%	6.70%	7.70%	2.54%	3.54%	4.54%
\$ 27,886,349	\$ 16,124,578	\$ 6,290,338	\$ 7,498,395	\$ 6,554,070	\$ 5,772,661

The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions is available in the System's separately issued ACFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2022, are shown below (in thousands):

	FRS	HIS
Total pension liability	\$ 217,434,441	\$ 11,126,966
Plan fiduciary net position	(180,226,405)	(535,369)
Net pension liability	<u>\$ 37,208,036</u>	<u>\$ 10,591,597</u>
Plan fiduciary net position as a percentage of the total pension liability	82.89%	4.81%

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2022. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The total pension liability for the HIS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2022. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

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

As of June 30, 2023, the Company reported a liability of \$22,678,648 for its proportionate share of the net pension liabilities. The Company's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ended June 30, 2013 through June 30, 2022, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the Company's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

The Company's proportions are as follows:

	<u>FRS</u>	<u>HIS</u>
June 30, 2022	0.0433%	0.0619%
June 30, 2021	0.0426%	0.0602%
Change	<u>0.0007%</u>	<u>0.0017%</u>

In accordance with GASB 68, paragraphs 54 and 71, changes in the Company's proportionate share of the net pension liability are recognized in pension expense in the current measurement period, except as indicated below. For each of the following, a portion is recognized in pension expense in the current reporting period, and the balance is amortized as deferred outflows or deferred inflows of resources using a systematic and rational method over a closed period, as defined below:

- Differences between expected and actual experience with regard to economic and demographic factors are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes of assumptions or other inputs are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Changes in proportion and differences between contributions and proportionate share of contributions are amortized over the average expected remaining service life of all employees that are provided with pensions through the pension plan (active and inactive employees).
- Differences between expected and actual earnings on pension plan investments are amortized over five years.

Employer contributions to the pension plans from the Company are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2022, was 5.5 years for FRS and 6.4 years for HIS.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

For the year ended June 30, 2023, the Company recognized pension expense of \$3,526,066. As of June 30, 2023, the Company reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 964,756	\$ 28,839
Changes of assumptions	2,361,493	1,013,910
Net difference between projected and actual earnings on pension plan investments	1,074,192	-
Changes in proportion and differences between Company contributions and proportionate share of contributions	2,602,432	662,131
Company contributions subsequent to the measurement date	2,480,430	-
Total	\$ 9,483,303	\$ 1,704,880

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

Reporting Period Ended June 30:	Amount
2024	\$ 1,281,136
2025	485,115
2026	(426,574)
2027	3,739,484
2028	212,829
Thereafter	6,003

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

8 RESTRICTED NET POSITION AND FUND BALANCE

Restricted net position and fund balance represents amounts that have been collected or are receivable by the Company for specific purposes, which are restricted as to the use of such funds. Included in the restricted fund balance is \$457,464 in the capital projects fund as of June 30, 2023, which must be used for start-up school capital improvements.

9 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	\$ 22,829,145
Class size reduction	4,652,231
Discretionary millage funds	1,747,896
Discretionary local effort	1,724,188
Supplemental academic instruction	1,229,254
ESE guaranteed allocation	1,195,752
Teacher salary increase allocation	1,194,775
Transportation	949,613
Capital outlay	653,954
Instructional materials	411,501
Safe schools	296,234
Funds compression allocation	287,610
Reading allocation	249,803
Advanced placement bonus	235,257
Mental health assistance allocation	222,932
Career and professional education bonus	152,690
Teacher lead pay	85,560
Dual enrollment	17,030
VPK grant	8,010
	<hr/>
Total	<u>\$ 38,143,435</u>

The administration fee paid to the School Board during the year ended June 30, 2023 totaled approximately \$182,000 which is included in general administration expense/expenditure in the accompanying financial statements.

LAKE WALES CHARTER SCHOOLS, INC.

NOTES TO FINANCIAL STATEMENTS
(continued)

10 CAMPUS FACILITIES

Title to the school buildings and facilities and other capital assets acquired prior to July 1, 2004 remains with the School Board. Florida Statutes provide that the use of school buildings 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 district 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 Charter Schools is significant; therefore, any substantial changes in Florida Statutes related to facilities used by conversion charter schools could have a material effect on the Company's operations.

LAKE WALES CHARTER SCHOOLS, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
State and local sources	\$ 36,862,039	\$ 37,358,514	\$ 37,489,481	\$ 130,967
Contributions and other revenue	588,696	841,638	1,340,698	499,060
Total revenues	<u>37,450,735</u>	<u>38,200,152</u>	<u>38,830,179</u>	<u>630,027</u>
EXPENDITURES				
Current:				
Instruction	23,184,005	23,482,753	24,173,638	(690,885)
Student support services	454,615	420,509	438,033	(17,524)
Instructional media	312,704	323,997	304,669	19,328
Instruction and curriculum development	200,219	222,064	238,300	(16,236)
Instructional staff training	159,700	134,613	89,763	44,850
Instruction-related technology	167,770	250,240	225,432	24,808
Board	218,750	219,250	198,982	20,268
General administration	600,443	607,876	627,894	(20,018)
School administration	5,074,737	4,647,927	3,654,544	993,383
Facilities acquisition and construction	-	1,200	18,530	(17,330)
Fiscal services	513,531	518,008	500,133	17,875
Central services	258,713	139,811	79,465	60,346
Pupil transportation	2,512,893	2,465,412	2,327,017	138,395
Operation of plant	2,046,931	2,279,309	2,265,848	13,461
Maintenance of plant	-	18,050	66,037	(47,987)
Administrative technology services	88,352	103,027	102,947	80
Community services	499,765	721,512	752,922	(31,410)
Debt service:				
Principal	30,681	30,681	577,998	(547,317)
Interest	-	-	139,118	(139,118)
Capital outlay	1,126,926	1,613,913	864,029	749,884
Total expenditures	<u>37,450,735</u>	<u>38,200,152</u>	<u>37,645,299</u>	<u>554,853</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1,184,880</u>	<u>1,184,880</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from notes payable	-	-	261,930	261,930
Operating transfer out	-	-	(400,000)	(400,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(138,070)</u>	<u>(138,070)</u>
Net changes in fund balance	-	-	1,046,810	1,046,810
Fund balance at beginning of year	13,641,571	13,641,571	13,641,571	-
Fund balance at end of year	<u>\$ 13,641,571</u>	<u>\$ 13,641,571</u>	<u>\$ 14,688,381</u>	<u>\$ 1,046,810</u>

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 20,571,757	\$ 22,934,036	\$ 16,251,114	\$ (6,682,922)
State and local sources	382,410	390,775	-	(390,775)
Contributions and other revenue	-	-	467,531	467,531
Total revenues	<u>20,954,167</u>	<u>23,324,811</u>	<u>16,718,645</u>	<u>(6,606,166)</u>
EXPENDITURES				
Current:				
Instruction	10,039,314	12,340,923	6,625,593	5,715,330
Student support services	1,306,745	1,327,850	1,241,306	86,544
Instructional media	-	-	23,882	(23,882)
Instruction and curriculum development	696,896	896,601	2,234,664	(1,338,063)
Instructional staff training	67,712	35,864	36,364	(500)
General administration	488,570	551,526	373,130	178,396
School administration	210,160	210,160	82,672	127,488
Food services	4,175,910	3,833,536	3,203,338	630,198
Central services	140,000	140,000	6,984	133,016
Pupil transportation	263,860	396,702	134,547	262,155
Operation of plant	3,265,000	3,291,649	1,467,927	1,823,722
Maintenance of plant	300,000	300,000	-	300,000
Capital outlay	-	-	1,114,817	(1,114,817)
Total expenditures	<u>20,954,167</u>	<u>23,324,811</u>	<u>16,545,224</u>	<u>6,779,587</u>
Net changes in fund balance	-	-	173,421	173,421
Fund balance at beginning of year	<u>1,991,200</u>	<u>1,991,200</u>	<u>1,991,200</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,991,200</u>	<u>\$ 1,991,200</u>	<u>\$ 2,164,621</u>	<u>\$ 173,421</u>

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.

REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY (ASSET)
LAST 10 FISCAL YEARS ENDING JUNE 30**

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Florida Retirement System (FRS) Pension Plan										
Company's proportion of the net pension liability (asset)	0.0433%	0.0426%	0.0374%	0.0360%	0.0349%	0.0355%	0.0369%	0.0384%	0.0381%	
Company's proportionate share of the net pension liability (asset)	\$ 16,124,578	\$ 3,217,962	\$ 16,212,548	\$ 12,409,258	\$ 10,526,445	\$ 10,498,024	\$ 9,315,030	\$ 4,961,155	\$ 2,323,370	
Company's covered-employee payroll	\$ 22,594,950	\$ 21,343,006	\$ 20,234,992	\$ 18,618,144	\$ 17,588,272	\$ 17,568,119	\$ 17,563,729	\$ 16,873,854	\$ 16,265,928	
Company's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	71%	15%	80%	67%	60%	60%	53%	29%	14%	
Plan fiduciary net position as a percentage of the total pension liability (asset)	83%	96%	79%	83%	84%	84%	85%	92%	96%	
Retiree Health Insurance Subsidy (HIS) Program										
Company's proportion of the net pension liability (asset)	0.0619%	0.0602%	0.0583%	0.0556%	0.0538%	0.0550%	0.0565%	0.0548%	0.0548%	
Company's proportionate share of the net pension liability (asset)	\$ 6,554,070	\$ 7,390,553	\$ 7,112,360	\$ 6,222,005	\$ 5,689,001	\$ 5,876,383	\$ 6,579,392	\$ 5,585,800	\$ 5,123,442	
Company's covered-employee payroll	\$ 22,594,950	\$ 21,343,006	\$ 20,234,992	\$ 18,618,144	\$ 17,588,272	\$ 17,568,119	\$ 17,563,729	\$ 16,873,854	\$ 16,265,928	
Company's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	29%	35%	35%	33%	32%	33%	37%	33%	31%	
Plan fiduciary net position as a percentage of the total pension liability (asset)	5%	4%	3%	3%	2%	2%	1%	1%	1%	

Information for the periods prior to the implementation of GASB 68 is unavailable and will be completed for each year going forward as it becomes available.

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - PENSION PLANS
LAST 10 FISCAL YEARS ENDING JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Florida Retirement System (FRS) Pension Plan										
Contractually required contribution	\$ 2,069,086	\$ 1,849,238	\$ 1,622,885	\$ 1,242,855	\$ 1,117,283	\$ 995,984	\$ 923,921	\$ 899,649	\$ 936,467	\$ 834,089
Contributions in relation to the contractually required contribution	<u>2,069,086</u>	<u>1,849,238</u>	<u>1,622,885</u>	<u>1,242,855</u>	<u>1,117,283</u>	<u>995,984</u>	<u>923,921</u>	<u>899,649</u>	<u>936,467</u>	<u>834,089</u>
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	\$ 24,933,485	\$ 22,594,950	\$ 21,343,006	\$ 20,234,992	\$ 18,618,144	\$ 17,588,272	\$ 17,568,119	\$ 17,563,729	\$ 16,873,854	\$ 16,265,928
Contributions as a percentage of covered-employee payroll	8%	8%	8%	6%	6%	6%	5%	5%	6%	5%
Retiree Health Insurance Subsidy (HIS) Program										
Contractually required contribution	\$ 411,344	\$ 374,426	\$ 354,148	\$ 335,674	\$ 308,787	\$ 291,490	\$ 290,856	\$ 289,358	\$ 209,370	\$ 187,707
Contributions in relation to the contractually required contribution	<u>411,344</u>	<u>374,426</u>	<u>354,148</u>	<u>335,674</u>	<u>308,787</u>	<u>291,490</u>	<u>290,856</u>	<u>289,358</u>	<u>209,370</u>	<u>187,707</u>
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	\$ 24,933,485	\$ 22,594,950	\$ 21,343,006	\$ 20,234,992	\$ 18,618,144	\$ 17,588,272	\$ 17,568,119	\$ 17,563,729	\$ 16,873,854	\$ 16,265,928
Contributions as a percentage of covered-employee payroll	2%	2%	2%	2%	2%	2%	2%	2%	1%	1%

See independent auditor's report.

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / School Breakfast Program	10.553	7/1/2022 - 6/30/2023	\$ 740,104
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program	10.555	7/1/2022 - 6/30/2023	2,403,093
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program (Supplemental Allocation)	10.555	7/1/2022 - 6/30/2023	33,693
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / National School Lunch Program (Supply Chain Assistance)	10.555	7/1/2022 - 6/30/2023	* 268,956
United States Department of Agriculture / Florida Department of Agriculture and Consumer Services / Summer Food Service Program for Children	10.559	7/1/2022 - 6/30/2023	* 40,592
Total Child Nutrition Cluster			<u>3,486,438</u>
United States Department of Agriculture / Emergency Food Assistance Program (Food Commodities)	10.569	7/1/2022 - 6/30/2023	<u>151,785</u>
Total Food Distribution Cluster			<u>151,785</u>
United States Department of Education / Florida Department of Education / Title I Grants to Local Educational Agencies	84.010	7/1/2022 - 6/30/2023	2,619,740
United States Department of Education / Florida Department of Education / Title I Grants to Local Educational Agencies (Transportation)	84.010	7/1/2022 - 6/30/2023	65,378
United States Department of Education / Florida Department of Education / Title I, Part A Unified School Improvement	84.010A	8/1/2022 - 7/31/2023	<u>414,845</u>
Total Title I Grants to Local Educational Agencies			<u>3,099,963</u>
United States Department of Education / Florida Department of Education / Special Education Grants to States (IDEA, Part B)	84.027X	7/1/2022 - 6/30/2023	991,057
United States Department of Education / Florida Department of Education / Individuals with Disabilities Education Act, Part B, K-12, American Rescue Plan Supplemental Funds	84.027X	7/1/2021 - 9/30/2023	* 227,930

See accompanying note to schedule of expenditures of federal awards.

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Education / Florida Department of Education / Special Education Preschool Grants (IDEA, Preschool)	84.173X	7/1/2022 - 6/30/2023	2,063
United States Department of Education / Florida Department of Education / Individuals with Disabilities Education Act, Part B, Pre-K, American Rescue Plan Supplemental Funds	84.173X	7/1/2021 - 9/30/2023 *	10,039
Total Special Education Cluster (IDEA)			1,231,089
United States Department of Education / Florida Department of Education / Migrant Education State Grant Program	84.011	7/1/2022 - 6/30/2023	31,094
United States Department of Education / Florida Department of Education / Career and Technical Education - Basic Grants to States (Perkins IV)	84.048	7/1/2022 - 6/30/2023	56,061
United States Department of Education / Florida Department of Education / Education for Homeless Children and Youth	84.196	7/1/2022 - 6/30/2023	72,050
United States Department of Education / Florida Department of Education / English Language Acquisition State Grants	84.365	7/1/2022 - 6/30/2023	100,086
United States Department of Education / Florida Department of Education / Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	7/1/2022 - 6/30/2023	287,998
United States Department of Education / Florida Department of Education / Student Support and Academic Enrichment Program	84.424	7/1/2022 - 6/30/2023	93,203
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER II)	84.425D	7/1/2021 - 9/30/2023 *	579,535
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Civics Seal of Excellence (ESSER II)	84.425D	1/6/2021 - 9/30/2023 *	6,000
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Reading Tutoring for K-3 Students) (ESSER II)	84.425D	1/1/2022 - 9/30/2023 *	37,689

See accompanying note to schedule of expenditures of federal awards.

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Civic Literacy Excellence Initiative - Civics Curricula) (ESSER II)	84.425D	12/8/2021 - 9/30/2023 *	5,578
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund) (ESSER III) (American Rescue Plan Act)	84.425U	12/14/2021 - 9/30/2024 *	4,427,297
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Learning Loss) (ESSER III) (American Rescue Plan Act)	84.425U	12/14/2021 - 9/30/2024 *	1,518,679
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - H.I.I.T.S.) (High-Impact Reading Interventions and Targeted Supports) (American Rescue Plan Act)	84.425U	8/11/2022 - 9/30/2024 *	81,000
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Summer Learning Camps) (American Rescue Plan Act)	84.425U	5/20/2022 - 8/31/2023 *	147,914
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Intensive Afterschool and Weekend Academies) (American Rescue Plan Act)	84.425U	10/3/2022 - 9/30/2024 *	33,186
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Instructional Materials) (American Rescue Plan Act)	84.425U	9/1/2022 - 9/30/2024 *	100,722
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Targeted Mathematics Grants and STEM Experiential Activities) (American Rescue Plan Act)	84.425U	9/1/2022 - 9/30/2024 *	45,054

See accompanying note to schedule of expenditures of federal awards.

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal Assistance Listing Number	Grant Period	Expenditures
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Supplemental Programming) (American Rescue Plan Act)	84.425U	9/1/2022 - 9/30/2024 *	254,562
United States Department of Education / Florida Department of Education / Education Stabilization Fund (Elementary and Secondary School Emergency Relief Fund - Homeless Children and Youth)	84.425W	12/10/2021 - 9/30/2024 *	<u>18,724</u>
Total Education Stabilization Funds			<u>7,255,940</u>
United States Department of Defense / Florida Department of Education / Reserve Officer Training Corps (ROTC)	N/A	7/1/2022 - 6/30/2023	<u>76,795</u>
Federal Communications Commission / Universal Service Fund - Schools and Libraries (E-Rate Program)	32.004	7/1/2022 - 6/30/2023	<u>103,715</u>
United States Department of Health and Human Services / Early Learning Coalition of Polk County / Child Care and Development Block Grant (Child Care Stabilization Subgrant) (American Rescue Plan Act)	93.575	7/1/2022 - 6/30/2023 *	<u>40,762</u>
Total Expenditures of Federal Awards			<u><u>\$ 16,086,979</u></u>

* Represents COVID-19 funds

See accompanying note to schedule of expenditures of federal awards.

LAKE WALES CHARTER SCHOOLS, INC.

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2023

1 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Company and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the Uniform Guidance).

For the year ended June 30, 2023, the Company did not elect to use the 10% de minimis indirect cost rate.

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.

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. (the "Company") as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Company's basic financial statements, and have issued our report thereon dated July 10, 2024.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001, that we consider to be a material weakness.



REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Company's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

COMPANY'S RESPONSE TO FINDING

Government Auditing Standards requires the auditor to perform limited procedures on the Company's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The Company'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.

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 Company'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.

BKHM, P.A.

Orlando, Florida
July 10, 2024

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Trustees of Lake Wales Charter Schools, Inc.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited Lake Wales Charter Schools, Inc.’s (the “Company”) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Company’s major federal programs for the year ended June 30, 2023. The Company’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Company’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Company’s federal programs.



Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Company's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Company's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Company's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Company's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BKHM, P.A.

Orlando, Florida
July 10, 2024

LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weaknesses identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of major programs:

Federal Assistance Listing Number	Grant Period	Name of Federal Program
84.010, 84.010A	Various	Title I Grants to Local Educational Agencies
84.425	Various	Education Stabilization Funds

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
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Auditee qualified as a low-risk auditee?	No
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LAKE WALES CHARTER SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(continued)

SECTION II - FINANCIAL STATEMENT FINDINGS

Finding No. 2023-001

Criteria:

The Company's internal control policy requires that all disbursement checks be signed by two individuals, the Superintendent and the Chief Financial Officer ("CFO").

Statement of condition:

During our audit procedures, we noted several checks that did not include the required dual signatures.

Questioned costs:

None

Effect of condition:

The Company is not following its internal control policy related to dual signatures on disbursement checks.

Cause of condition:

The Board of Trustees approved a separation agreement with the Superintendent, effective February 2021, and the CFO served as the interim Superintendent until another individual was hired in July 2022. During this time, the CFO signed disbursement checks in both capacities. It took some time to add the new Superintendent as an authorized signer.

Recommendation:

We recommend that policies be revised to include an additional check signer in the event that either the Superintendent or CFO are not available to sign.

Management's response:

Management agreed with this finding and will revise its internal control policies accordingly.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV - STATUS OF PRIOR YEAR AUDIT FINDINGS

Finding No. 2022-001

Statement of condition:

During our audit procedures, we noted several checks that did not include the required dual signatures.

Status:

Repeated as current year Finding No. 2023-001.