

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

**FINANCIAL STATEMENTS WITH INDEPENDENT
AUDITORS' REPORTS THEREON**

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2019**



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

Managements Discussion and Analysis	2
Independent Auditor’s Report	7
Basic Financial Statements.....	9
Statement of Net Position.....	9
Statement of Activities.....	10
Balance Sheet – Governmental Funds	11
Reconciliation of Governmental Funds Balance Sheet To the Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	14
Notes to the Basic Financial Statements.....	15
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	26
Budgetary Comparison Schedule – Capital Project Fund.....	27
Report of Independent Auditor on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	28
Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities</i> :	
Management Letter	30

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019

The discussion and analysis of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2019. The intent of this discussion and analysis is to look at the School's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the School's financial performance.

The year ended June 30, 2019 represents the fifth year of operations for the School. In that month, the School was granted a 15-year contract renewal by the School District of Lee County. Operations of the School are under direct control of the governing board. The governing board has hired a Principal to oversee educational aspects of the School and contracted a local management company, Consulting + Professional Assistance, Inc. (CPA's) to manage all business operations related to the School. CPA's has worked with this governing board for the past eight years as the local educational service provider for City of Palms Charter High School (CPCHS) in Fort Myers and for the past four years for Northern Palms Charter High School (NPCHS) in North Fort Myers.

Financial Highlights

At the close of the fiscal year, assets of the School exceeded liabilities by \$852,100 (net position). This is an operational increase of \$143,139 from the prior year when assets exceeded liabilities by \$708,961. Enrollment at Palm Acres Charter High School (PACHS) decreased by 13.7% (44 students) from an average of 322 students in fiscal year 2018 to an average of 278 students in fiscal year 2019. Unfunded mandates related to the Marjorie Stoneman Douglas Act along with a change in operations policy relative to employee contract year created additional expenses that resulted in a lower than anticipated increase in revenues.

Using this Financial Report

This report consists of six parts:

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

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

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

Government-Wide Financial Statements

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019
(continued)

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Position

The table below provides a comparative summary of net position for fiscal years 2019 and 2018.

	<u>2019</u>	<u>2018</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 884,811	\$ 870,839	\$ 13,972
Capital assets, net	<u>47,896</u>	<u>77,833</u>	<u>(29,937)</u>
Total assets	<u>\$ 932,707</u>	<u>\$ 948,672</u>	<u>\$ (15,965)</u>
Liabilities			
Current liabilities	<u>\$ 80,607</u>	<u>\$ 239,711</u>	<u>\$ (159,104)</u>
Net assets			
Invested in capital assets	\$ 47,896	\$ 77,833	\$ (29,937)
Restricted for capital projects	177,451	177,451	-
Unrestricted	<u>626,753</u>	<u>453,677</u>	<u>173,076</u>
Total net position	<u>\$ 852,100</u>	<u>\$ 708,961</u>	<u>\$ 143,139</u>

The School's net capital assets are represented primarily by computer servers and workstations (43%), and furniture, fixtures and equipment (45%). Approximately 11% of the capital assets are related to security hardware. The remaining 1% are represented by certain leasehold improvements. Accrued payroll represents approximately 98% of current liabilities.

Change in Net Position

The table on the following page shows the comparative summary of changes in net position, revenues and expenses for fiscal years 2019 and 2018.

Revenues from the Florida Education Finance Program (FEFP) decreased by 12% between FY18 and FY19 due to lower enrollment. Total capital project funding decreased between FY18 and FY19. At June 30, \$177,451 remains as part of restricted fund balance to be spent on capital projects. This balance is represented by monies given to the School by the District in FY18 as local capital improvement revenues (LCIR funds). Overall revenues decreased by \$328,170 while expenses increased by \$153,634 from the prior year. Nearly 40% (\$60,300) of the increase is a direct result of the Marjorie Stoneman Douglas Act passed in 2018. The School was required to contract with the Lee County Sheriff's Department for a full-time officer to serve as school resource officer. Another 51% (\$79,019) of the increase in expenditures is represented by accrued payroll expenses at June 30th. Prior to FY19, no accrual was required at June 30 as staff contracts began July 1st and ended June 30th. During FY18, the Board of Directors passed a resolution changing the contract year to August 1st through July 31st thereby creating 13 months wages for FY19. The remaining 9% increase is related to routine increases in wages and other operating expenses.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019
(continued)

	2019	2018	Increase (Decrease)
Revenues			
State and local sources	\$ 1,817,445	\$ 2,064,196	\$ (246,751)
Capital outlay	135,457	56,954	78,503
Local capital improvement revenue	-	177,451	(177,451)
Other revenue	22,529	5,000	17,529
Total revenues	1,975,431	2,303,601	(328,170)
Expenses			
Instruction	699,220	536,641	162,579
Instructional support services	77,674	107,015	(29,341)
Board	37,700	30,715	6,985
School administration	678,990	728,079	(49,089)
Central services	81,602	79,941	1,661
Food service	-	5,600	(5,600)
Pupil transportation services	4,475	5,100	(625)
Operation of plant	249,607	174,680	74,927
Maintenance of plant	3,024	10,887	(7,863)
Total expenses	1,832,292	1,678,658	153,634
Change in net position from operations	143,139	624,943	(481,804)
Forgiveness of debt	-	(836,180)	836,180
Total change in net position	\$ 143,139	\$ (211,237)	\$ 354,376

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (“FDOE”) for funding through the Florida Education Finance Program (FEFP). During the year, funding is adjusted to reflect the revised calculations by FDOE under the FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods in October and February. Enrollment at Palm Acres Charter High School (PACHS) decreased by 13.7% (44 students) from an average of 322 students in fiscal year 2018 to an average of 278 students in fiscal year 2019.

FINANCIAL ANALYSIS OF THE SCHOOL’S FUNDS

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

The School’s basic services are included in governmental funds which focus 1) on how financial assets can be converted to cash flows and 2) on the year-end balances available for spending.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. dba PALM ACRES CHARTER HIGH SCHOOL
 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019
 (continued)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS (continued)

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental fund reported an ending unassigned fund balance of \$626,753 – a 38% increase from the ending unassigned fund balance of \$453,677 in fiscal year 2019. Restricted fund balance remained the same at \$177,451. Overall fund balances increased nearly 20%. Income from operations resulted in a net income of \$143,139.

General Fund Budgetary Highlights

The School prepared an annual budget based on the expected funded enrollment figure for the school year. The original budget anticipated enrollment of 324 students. This was revised once the School's final full-time equivalent enrollment was determined based on the required count dates in October and February. Actual figures for the current fiscal year resulted in average enrollment of 278 students.

Capital Assets

The School had \$47,896 invested in capital assets at June 30, 2019. The capitalization threshold for classification of long-term assets is \$1,000. The School's net capital assets are represented primarily by computer workstations, tables and chairs and security equipment.

Capital Assets – Net of Depreciation/Amortization

	2019	2018	Increase (Decrease)
Furniture, fixtures & equipment	\$ 2,253	\$ 6,843	\$ (4,590)
Security hardware	15,162	11,003	4,159
Computer hardware	11,742	35,226	(23,484)
Instructional technology	4,603	13,867	(9,264)
Computer software	3,634	10,894	(7,260)
Leasehold improvements	10,502	-	10,502
Total	\$ 47,896	\$ 77,833	\$ (29,937)

For more information on capital assets, see Note 7 in the Notes to the Basic Financial Statements.

Current Financial Statements

This fiscal year was the fifth year of the School's 5-year contract with the School District of Lee County. The contract was renewed in June 2019 for additional 15 years ending June 30, 2034. Palm Acres Charter High School is the second of three schools opened and operated by the Board of Directors of City of Palms Charter High School, Inc. (the "Board"). The Board has contracted with Consulting and Professional Assistance, Inc. ("CPA's") to provide day-to-day management services including facilities, equipment, technology, operational support services, financial reporting, and personnel management and consulting services. CPA's provides services for a percentage share of revenues received by the School.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. dba PALM ACRES CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2019
(continued)

Contacting the School's Financial Management

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

Next Year's Budget

Amounts available for appropriation in the general fund for FY20 are approximately \$2.01 million, a slight increase from FY19 actual amounts. Budgeted expenditures are approximately \$1.76 million, an approximate 5% increase from fiscal year 2018 actual amounts. If the above estimates are realized, the general fund is expected to increase by nearly \$250,000 by the end of fiscal year 2020.



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities and each major fund of City of Palms Charter High School, Inc., *dba* Palm Acres Charter High School a Charter School and Component Unit of the District School Board of Lee County, Florida, (the "School") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School, as of June 30, 2019, 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.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School at June 30, 2019 and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of City of Palms Charter High School, Inc. These financial statements do not purport to, and do not present fairly, the financial position of City of Palms Charter High School, Inc. as of June 30, 2019 and its changes in financial position for the year then ending in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2-6 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2019, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

McCrary and Associates, PLLC

Altamonte Springs, Florida
September 3, 2019

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Statement of Net Position

June 30, 2019

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 769,713
Accounts receivable	79,645
Other assets	35,453
Capital assets:	
Furniture, fixtures and equipment	134,482
Security hardware	33,491
Computer hardware	70,421
Instructional technology	27,769
Computer software	21,805
Leasehold improvements	12,351
Less: accumulated depreciation	<u>(252,423)</u>
Total capital assets, net	<u>47,896</u>
 Total assets	 <u><u>\$ 932,707</u></u>
 Liabilities	
Accounts payable and accrued expenses	<u>\$ 80,607</u>
 Total liabilities	 <u><u>\$ 80,607</u></u>
 Net Position	
Invested in capital assets, net	\$ 47,896
Restricted for capital projects	177,451
Unrestricted	<u>626,753</u>
 Total net position	 <u><u>\$ 852,100</u></u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Statement of Activities

For the Year Ended June 30, 2019

	<u>Expenses</u>	<u>Program Specific Revenues</u>	<u>Net (Expenses) Revenues and Changes in Net Position</u>
			<u>Total Governmental Activities</u>
Governmental activities:			
Instruction	\$ 699,220	\$ -	\$ (699,220)
Instructional support services	77,674	-	(77,674)
Board	37,700	-	(37,700)
School administration	678,990	-	(678,990)
Central services	81,602	-	(81,602)
Transportation	4,475	-	(4,475)
Operation of plant	249,607	146,948	(102,659)
Maintenance of plant	3,024	-	(3,024)
Total primary government	<u>\$ 1,832,292</u>	<u>\$ 146,948</u>	<u>(1,685,344)</u>
		State and local sources	\$ 1,821,483
		Contribution	<u>7,000</u>
		Total general revenues	<u>1,828,483</u>
		Change in net position	143,139
		Net position at beginning of year	<u>708,961</u>
		Net position at end of year	<u>\$ 852,100</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Balance Sheet – Governmental Funds

June 30, 2019

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 602,852	\$ 166,861	\$ 769,713
Accounts receivable	69,055	10,590	79,645
Other assets	35,453	-	35,453
Total assets	\$ 707,360	\$ 177,451	\$ 884,811
Liabilities			
Accounts payable and accrued expenses	\$ 80,607	\$ -	\$ 80,607
Total liabilities	80,607	-	80,607
Fund Balances			
Nonspendable:			
Deposits	7,000	-	7,000
Prepaid expenses	28,453	-	28,453
Restricted for capital projects	-	177,451	177,451
Spendable:			
Unassigned	591,300	-	591,300
Total fund balances	626,753	177,451	804,204
Total liabilities and fund balances	\$ 707,360	\$ 177,451	\$ 884,811

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

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

June 30, 2019

Total fund balance - governmental fund \$ 804,204

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

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported as assets in the
governmental fund. The cost of the assets are \$300,319
and the accumulated depreciation is \$252,423

47,896

Total net position - governmental activities

\$ 852,100

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

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

For the Year Ended June 30, 2019

	General Fund	Capital Projects Fund	Total Funds
Revenues			
State and local sources	\$ 1,817,445	\$ -	\$ 1,817,445
Capital outlay	-	135,457	135,457
Contribution	7,000	-	7,000
Other revenues	15,529	-	15,529
Total revenues	1,839,974	135,457	1,975,431
Expenditures			
Instruction	677,248	-	677,248
Instructional support services	77,674	-	77,674
Board	37,700	-	37,700
School administration	656,364	-	656,364
Central services	81,602	-	81,602
Transportation	4,475	-	4,475
Operation of plant	104,969	135,457	240,426
Maintenance of plant	3,024	-	3,024
Capital outlay	23,842	-	23,842
Total expenditures	1,666,898	135,457	1,802,355
Changes in fund balance from operations		-	173,076
Fund balance at beginning of year	453,677	177,451	631,128
Fund balance at end of year	\$ 626,753	\$ 177,451	\$ 804,204

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
PALM ACRES CHARTER HIGH SCHOOL

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

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

For the Year Ended June 30, 2019

Net changes in fund balance - governmental fund	\$ 173,076
Amounts reported for governmental activities in the statement of activities are different because:	
The governmental fund reports 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 depreciation expense of \$53,779 exceed capital outlay of \$23,842 in the current period.	<u>(29,937)</u>
Change in net position of governmental activities	<u><u>\$ 143,139</u></u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2019

1. DESCRIPTION OF SCHOOL AND REPORTING ENTITY

Palm Acres Charter High School (the "School") is a charter school under City of Palms Charter High School, Inc. (the "Corporation"). The Corporation 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 Corporation currently operates two other charter schools in addition to this school. These three schools have the same Board of Governance. As such, they are related entities.

The basic financial statements of the School present only the balances, activity and disclosures related to the School. They do not purport to, and do not present fairly the financial position of the Corporation as of June 30, 2019, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lee County, Florida (the "District"). The original five-year contract between the School and the District was renewed by mutual written agreement on June 4, 2019 for an additional fifteen years beginning July 1, 2019 and ending June 30, 2034. At the end of the term of the charter contract, the District may choose not to renew the agreement under grounds specified in the charter contract. In this case, the District is required to notify the School in writing at least 90 days prior to the charter contract's expiration. During the term of the charter, the District may also terminate the charter contract if good cause is shown. In the event of termination of the charter contract, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the District. Any unencumbered capital outlay funds revert back to the Florida Department of Education to be redistributed among eligible charter schools. The School is considered a component unit of the District and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB") accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the GASB Codification of Governmental Accounting and Financial Reporting Standards. The application of these

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

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

The School contracts with Consulting + Professional Assistance, Inc. ("CPA's") for management of day-to-day operations as described in Note 9.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

The governmental fund in the financial statements of this report is the "General Fund". The General Fund is the School's primary operating fund that accounts for all financial resources not required to be accounted for in another fund. For purposes of these statements, the General Fund and capital projects fund constitute major funds.

Basis of Accounting

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

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

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

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

Budgetary Basis of Accounting

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

Cash and Cash Equivalents

All cash received by the School is maintained in a demand deposit account. For purposes of presentation on the Statement of Net Position and the Balance Sheet – Governmental Funds. Under current regulations, deposit accounts are insured by the FDIC up to \$250,000 per insured institution. The School currently holds its deposit accounts at one institution. At June 30, 2019, these accounts total \$769,713. Amounts deposited above the FDIC insured amount equal approximately \$519,713. The School does not anticipate any losses associated with their accounts.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

Capital Assets and Depreciation

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

Net Position and Fund Balance Classifications

Government-Wide Financial Statements

Net Position is classified and reported in three components.

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

Fund Financial Statements

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

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

Order of Fund Balance Spending Policy

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

Revenue Sources

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

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

The School is eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such, any unexpended amounts are reflected as restricted net assets and restricted fund balance in the accompanying Statement of Net Position and Balance Sheet – Governmental Fund, respectively. As a result of statutory changes in 2018, in addition to PECO funds, the School received "Local Capital Improvement Revenues" (\$177,451) from the School District of Lee County. These funds were not spent during FY1718 as the funds were identified as part of a lawsuit brought by the District in the Spring of 2018. The funds paid as LCIR, remain as part of restricted fund balance at June 30, 2019.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

Income Taxes

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

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

The School regularly assesses its income tax positions, including its continuing tax status as a not-for-profit entity, and recognizes tax benefits only to the extent that the School believes it is “more likely than not” that its tax positions will be sustained upon an examination by the Internal Revenue Service (“IRS”) or the applicable state taxing authority. Accordingly, there is no provision for federal income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. The School’s income tax returns for the tax years 2017, 2016 and 2015 are subject to examination by tax authorities and may change upon examination. State income taxes, which may be due in certain jurisdictions, have been assessed following the same “more likely than not” measurement threshold.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The School has adopted guidance that requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date (that is, whether that date represents the date the financial statements were issued or were available to be issued). The School has evaluated subsequent events through September 3, 2019, which is the date the financial statements were available to be issued. Palm Acres Charter High School was granted a renewal of fifteen years starting June 30, 2019 through June 30, 2034. The Board of Directors was also granted a new five-year contract to open a fourth school – Palm River Charter High School – in the August 2020.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

3. RELATED PARTY TRANSACTIONS

In March 2014, the Board of Directors of City of Palms Charter High School, Inc. received approval from the School District of Lee County to operate Palm Acres Charter High School (PACHS). PACHS is the second school operated by this same Board. Originally opened in Fall 2006, the contract for City of Palms Charter High School was renewed by the School District of Lee County for an additional ten years ending in June 2026. Palm Acres Charter High School opened in August 2014 in Lehigh Acres. In June 2019, this contract was renewed by the District for an additional fifteen years. In April 2015, the Board received approval from the School District to operate a third school, Northern Palms Charter High School, opening August 2015 in North Fort Myers. In June 2019, the Board received approval to open a fourth school, Palm River Charter High School in Lee County. During the routine course of business, invoices and payroll which apply to all three, soon to be four, schools may be paid by a single entity. Also, the school with surplus funds may pay expenses on behalf of other related schools. The school tracks these amounts due to or from each related entity or school separately. During Spring 2018, the Board of Directors authorized forgiveness of debts between the first three schools.

The net amount due from related parties as of June 30, 2019 is \$63,175 - \$12,000 from Palm River Charter High School and \$51,175 from City of Palms Charter High School. These amounts are included in the accompanying statements of net position and balance sheet – governmental funds.

4. FAIR VALUE MEASUREMENTS

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an assets or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable Level 1 or 2 inputs are not available.

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

5. ACCOUNTS RECEIVABLE

At June 30, 2019, accounts receivable was \$79,645. Included in this balance are related party receivables of \$63,175, capital outlay funds receivable of \$10,590 and Safety and Security Grant funds receivable of \$5,690 from the State of Florida Department of Education. Based on the sources of these funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

6. OTHER CURRENT ASSETS

Total other current assets equal \$35,453. Forty percent (40%), \$14,000, of other current assets is represented by \$7,000 prepaid rent and a \$7,000 security deposit related to the facility. Thirty-four percent (34%) of other current assets is represented by prepaid conference and operating expenses of \$11,951. The balance, twenty-seven percent (27%) is represented by prepaid insurance of \$9,502.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba
 PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
 (continued)

7. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2019, the School's capital assets consisted of the following:

	<u>Beginning Balance</u>	<u>Changes</u>	<u>Ending Balance</u>
Capital assets being depreciated:			
Furniture, fixtures and equipment	\$ 134,482	\$ -	\$ 134,482
Security hardware	22,000	11,491	33,491
Computer hardware	70,421	-	70,421
Instructional technology	27,769	-	27,769
Computer software	21,805	-	21,805
Leasehold improvements	-	12,351	12,351
Total	<u>\$ 276,477</u>	<u>\$ 23,842</u>	<u>\$ 300,319</u>
Less accumulated depreciation:			
Furniture, fixtures and equipment	\$ (127,639)	\$ (4,590)	\$ (132,229)
Security hardware	(10,997)	(7,332)	(18,329)
Computer hardware	(35,195)	(23,484)	(58,679)
Instructional technology	(13,902)	(9,264)	(23,166)
Computer software	(10,911)	(7,260)	(18,171)
Leasehold improvements	-	(1,849)	(1,849)
Total	<u>\$ (198,644)</u>	<u>\$ (53,779)</u>	<u>\$ (252,423)</u>
Net capital assets	<u>\$ 77,833</u>	<u>\$ (29,937)</u>	<u>\$ 47,896</u>
		Instruction	\$ 21,972
		Administration	22,626
		Operations	9,181
		Total depreciation expense	<u>\$ 53,779</u>

Depreciation expense of \$53,779 was allocated and charged to the functions listed above in the accompanying Statement of Activities.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

8. ACCOUNTS PAYABLE

Ninety-eight percent (98%), \$79,019 of total accounts payable of \$80,607 are represented by accrued payroll at June 30, 2019. The remaining 2% balance of \$1,588 is represented by fees related to accrued capital outlay funds.

9. EDUCATIONAL MANAGEMENT PROVIDERS

The Board of Directors entered into a contract with Consulting and Professional Assistance, Inc. (CPA's) to provide business and educational oversight services to the School. The Board of Directors operates the School independently. CPA's works with the Principal to manage the School on a day-to-day basis. The Principal oversees academics, staff and curriculum and CPA's oversees all business operations. CPA's continuing fee is based upon 15% of gross revenues received from the District through the Florida Education Finance Program and other sources. In addition, CPA's may charge the organization for additional projects such as new charter school applications or renewal contract applications. The administration fee paid to CPA's during the year ended June 30, 2019 totaled \$296,227. The fee is reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund.

10. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES For the year ended June 30, 2019, state and local revenues were received as follows:

Florida Education Finance Program	\$ 1,201,799
Class size reduction	258,258
Discretionary millage	173,898
Capital outlay	135,457
Supplemental academic instruction	66,666
ESE guaranteed allocation	50,451
Instructional materials	21,650
Safe schools	12,914
Reading allocation	11,545
Safety security grant allocation	11,491
Mental health assistance allocation	6,457
Student transportation	5,898
Digital classrooms allocation	4,993
Miscellaneous revenues	4,038
Prior year adjustment	1,762
Discretionary lottery	911
Federally connected student supplement	243
Total	\$ 1,968,431

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

The administration fee paid to the District during the year ended June 30, 2019 totaled \$81,602. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

11. RISK MANAGEMENT

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

12. CONTINGENCIES

Grants

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

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

Legal matters

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

Lease commitments

Effective August 2014, the School entered into a 5-year lease agreement for its facility under a noncancelable operating lease. The lease was renewed for another 5-year term. The renewal requires the School to pay \$7,500 per month for the entire term of the lease beginning September 1, 2019. For FY19, total expense related to the facility lease amounted to \$84,000.

Future minimum payments under this lease agreement are as follows:

2020	\$ 89,000
2021	90,000
2022	90,000
2023	90,000
2024	<u>90,000</u>
Total	<u>\$ 449,000</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

PALM ACRES CHARTER HIGH SCHOOL

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

Required Supplementary Information

Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2019

	General Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 2,110,000	\$ 1,816,000	\$ 1,817,445	\$ 1,445
Contributions and other revenues	5,000	14,500	22,529	8,029
Total revenues	<u>2,115,000</u>	<u>1,830,500</u>	<u>1,839,974</u>	<u>9,474</u>
EXPENDITURES				
Instruction	600,000	630,000	677,248	47,248
Instructional support services	130,000	78,000	77,674	(326)
Board	30,000	20,000	37,700	17,700
School administration	821,300	645,500	656,364	10,864
Central services	78,700	70,500	81,602	11,102
Pupil transportation services	10,000	8,000	4,475	(3,525)
Operation of plant	195,000	124,500	104,969	(19,531)
Maintenance of plant	25,000	4,000	3,024	(976)
Capital outlay	-	-	23,842	23,842
Total expenditures	<u>1,890,000</u>	<u>1,580,500</u>	<u>1,666,898</u>	<u>86,398</u>
Excess of revenues over expenditures	225,000	250,000	173,076	(76,924)
Fund balance at beginning of year	<u>453,677</u>	<u>453,677</u>	<u>453,677</u>	-
Fund balance at end of year	<u>\$ 678,677</u>	<u>\$ 703,677</u>	<u>\$ 626,753</u>	<u>\$ (76,924)</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba
PALM ACRES CHARTER HIGH SCHOOL

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

Required Supplementary Information

Budgetary Comparison Schedule – Capital Project Fund

For the Year Ended June 30, 2019

	Capital Project Fund			
	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
Capital outlay	\$ 55,000	\$ 135,500	\$ 135,457	\$ (43)
Local capital improvement revenue	175,000	-	-	-
Total revenues	230,000	135,500	135,457	(43)
EXPENDITURES				
Operation of plant	55,000	135,500	135,457	(43)
Total expenditures	55,000	135,500	135,457	(43)
Excess of revenues over expenditures	175,000	-	-	-
Fund balance at beginning of year	177,451	177,451	177,451	-
Fund balance at end of year	\$ 352,451	\$ 177,451	\$ 177,451	\$ -



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

**Report of Independent Auditors on Internal Control Over Financial Reporting
And on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund for the City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School (the "School"), a charter school and component unit of the District School Board of Lee County, Florida, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 3, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

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

McCrary and Associates, PLLC

Altamonte Springs, Florida
September 3, 2019

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



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

Report on the Financial Statements

We have audited the financial statements of City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School (the “School”) as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 3, 2019.

Auditor’s Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5., Rules of the auditor General, requires the name or official title of the entity. The official title of the entity is City of Palms Charter High School, Inc. *dba* Palm Acres Charter High School. The School code is 4223.

Financial Condition

Sections 10.854(1)(e)2. Rules of the Auditor General, requires that we report the results of our determination as to whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1)., Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management’s responsibility to monitor the School’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

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

Other Matters

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

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

Purpose of this Letter

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

McCrary and Associates, PLLC

Altamonte Springs, Florida
September 3, 2019