

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

**Audited Financial Statements for the Year Ended  
June 30, 2023  
With Independent Auditor's Report**

**THE ISLAND SCHOOL, INC.**  
**A CHARTER SCHOOL AND COMPONENT UNIT**  
**OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**  
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**JUNE 30, 2023**

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# Lengemann & Associates, P.C.

Certified Public Accountants

www.lengemanncpa.com

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
The Island School, Inc.  
Boca Grande, Florida

### Report on the Audit of the Financial Statements

#### Unmodified and Disclaimer of Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund, and we were not engaged to audit the discretely presented component unit (The Island School Foundation, Inc.) of The Island School, Inc. as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise The Island School, Inc.'s (hereinafter 'the School's) basic financial statements as listed in the table of contents.

#### *Summary of Opinions*

| <u>Opinion Unit</u>                | <u>Type of Opinion</u> |
|------------------------------------|------------------------|
| Governmental Activities            | Unmodified             |
| The Island School Foundation, Inc. | Disclaimer             |
| General Fund                       | Unmodified             |
| Capital Projects Fund              | Unmodified             |

#### **Disclaimer of Opinion on Discretely Presented Component Unit – The Island School Foundation, Inc.**

We do not express an opinion on the financial statements of the component unit of the School. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on The Island School Foundation, Inc. section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

#### **Unmodified Opinions on Governmental Activities and Each Major Fund**

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, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Disclaimer of Opinion on The Island School Foundation, Inc.**

The financial statements of The Island School Foundation, Inc (the Foundation) have not been audited, and we were not engaged to audit the Foundation as part of our audit of the School's basic financial statements. The Foundation's financial activities are not included in the School's basic financial statements. The financial statements for the Foundation were not available to us during our audit.

### **Basis for Unmodified Opinions**

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

### **Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

#### **Auditor's Responsibilities for the Audit of the Discretely Presented Component Unit**

Our responsibility is to conduct an audit of the School's financial statements in accordance with generally accepted auditing standards and to issue an auditor's report. However, because of the matter described in the Basis of Disclaimer of Opinion on The Island School Foundation, Inc.'s section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

### **Auditor's Responsibilities for the Audit of the Governmental Activities and Each Major Fund**

Our objectives are to obtain a reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individual or in the aggregate, they would influence the judgement 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 judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control, Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 26 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Accounting Standards*, we have also issued our report dated September 15, 2023, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

*Lengemann & Associates, P.C.*

LENGEMANN & ASSOCIATES, P.C.  
Papillion, Nebraska  
September 15, 2023

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

STATEMENT OF NET POSITION

JUNE 30, 2023

| ASSETS                                   | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>CURRENT ASSETS</b>                    |                                    |
| Cash and cash equivalents                | \$ 530,169                         |
| Investments                              | 1,056,048                          |
| Accounts receivable                      | 9,709                              |
| Prepaid expenses                         | 3,798                              |
| <b>TOTAL CURRENT ASSETS</b>              | <u>1,599,724</u>                   |
| <b>CAPITAL ASSETS</b>                    |                                    |
| Buildings and improvements               | 2,999,424                          |
| Furniture, fixtures and equipment        | 290,126                            |
| Smartboards                              | 43,884                             |
| Science room equipment                   | 55,974                             |
| Less accumulated depreciation            | <u>(1,380,614)</u>                 |
| <b>TOTAL CAPITAL ASSETS, NET</b>         | <u>2,008,794</u>                   |
| <b>TOTAL ASSETS</b>                      | <u>\$ 3,608,518</u>                |
| Deferred outflows of resources - pension | <u>\$ 274,051</u>                  |
| <b>LIABILITIES AND NET POSITION</b>      |                                    |
| <b>CURRENT LIABILITIES</b>               |                                    |
| Accounts payable                         | \$ 29,145                          |
| Accrued payroll                          | 14,404                             |
| Accrued liabilities                      | 7,140                              |
| <b>TOTAL CURRENT LIABILITIES</b>         | <u>50,689</u>                      |
| <b>OTHER LIABILITIES</b>                 |                                    |
| Net pension liability                    | <u>310,336</u>                     |
| <b>TOTAL LIABILITIES</b>                 | <u>361,025</u>                     |
| Deferred inflows of resources - pension  | <u>13,559</u>                      |
| <b>NET POSITION</b>                      |                                    |
| Net investment in capital assets         | 2,008,794                          |
| Board designated -Strategic Reserve Fund | 1,100,494                          |
| Restricted funds                         | 58,713                             |
| Unrestricted                             | 339,984                            |
| <b>TOTAL NET POSITION</b>                | <u>\$ 3,507,985</u>                |

See accompanying notes to the financial statements

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

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

|                                  | Expenses            | Program<br>revenues -<br>Charges for<br>Services | Net (Expense)<br>Revenues and<br>Changes in Net<br>Position |
|----------------------------------|---------------------|--|---|
| <b>Primary Government</b>        |                     |  |   |
| Governmental activities:         |                     |  |   |
| Instruction                      | \$ 1,121,585        | \$ -   | \$ (1,121,585)  |
| Administrative support services  | 276,970             | -  | (276,970)   |
| Other support services           | 260,416             | -  | (260,416)   |
| Operation of plant               | 167,303             | -  | (167,303)   |
| Community service (after school) | 3,464               | (20,920)   | 17,456  |
| <b>Total primary government</b>  | <b>\$ 1,829,738</b> | <b>\$ (20,920)</b>                               | <b>\$ (1,808,818)</b>                                       |
| <b>General Revenues</b>          |                     |  |   |
| State aid:                       |                     |  |   |
| Formula grants                   |                     |  | \$ 541,556  |
| Professional development         |                     |  | 2,318   |
| Safety grant                     |                     |  | 4,958   |
| Capital outlay funds             |                     |  | 35,725  |
| ESSER II grant                   |                     |  | 16,273  |
| ESSER III grant                  |                     |  | 109,421   |
| Contributions and other revenue  |                     |  | 803,615   |
| <b>Total general revenues</b>    |                     |  | <b>1,513,866</b>  |
| Excess of expenses over revenues |                     |  | (294,952)   |
| Investment income                |                     |  | 7,731   |
| Restricted program support - in  |                     |  | 42,563  |
| Restricted program support - out |                     |  | (9,749)   |
| <b>Changes in net position</b>   |                     |  | <b>(254,407)</b>  |
| <b>NET POSITION - BEGINNING</b>  |                     |  | <b>3,762,392</b>  |
| <b>NET POSITION - END</b>        |                     |  | <b>\$ 3,507,985</b>   |

See accompanying notes to the financial statements



THE ISLAND SCHOOL, INC.  
 A CHARTER SCHOOL AND COMPONENT UNIT  
 OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

BALANCE SHEET – GOVERNMENTAL FUNDS

JUNE 30, 2023

| ASSETS                                     | <u>General Fund</u>        |
|--|----------------------------|
| Cash and cash equivalents                  | \$ 485,723                 |
| Accounts receivable                        | 9,709                      |
| Investments                                | 1,100,494                  |
| Prepaid expenses                           | 3,798                      |
| <b>TOTAL ASSETS</b>                        | <b><u>\$ 1,599,724</u></b> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                            |
| <b>LIABILITIES</b>                         |                            |
| Accounts payable                           | \$ 29,145                  |
| Accrued payroll                            | 14,404                     |
| Notes payable                              | 7,140                      |
| <b>TOTAL LIABILITIES</b>                   | <b><u>50,689</u></b>       |
| <b>FUND BALANCES</b>                       |                            |
| Nonspendable                               | 3,798                      |
| Board designated - Strategic Reserve Fund  | 1,100,494                  |
| Restricted funds                           | 58,713                     |
| Unassigned                                 | 386,030                    |
| <b>TOTAL FUND BALANCES</b>                 | <b><u>1,549,035</u></b>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <b><u>\$ 1,599,724</u></b> |

See accompanying notes to the financial statements

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

RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF  
NET POSITION

JUNE 30, 2023

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TOTAL FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,549,035

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental fund. The cost basis of the assets are \$3,389,408 and the accumulated depreciation is (\$1,380,614). 2,008,794

Deferred inflows and outflows are not due and payable in the current period and therefore, are not reported as deferred inflows and outflows in the governmental funds.

|                               |                  |
|-------------------------------|------------------|
| Deferred outflows for pension | 274,051          |
| Deferred inflow for pension   | (13,559)         |
| Net pension liability         | <u>(310,336)</u> |

TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES \$ 3,507,985

See accompanying notes to the financial statements

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2023

|   | <u>General Fund</u> | <u>Capital<br/>Projects<br/>Fund</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|--------------------------------------|---|
| <b>REVENUES</b>                             |                     |                                      |   |
| State funds                                 | \$ 674,526          | \$ 35,725                            | \$ 710,251                              |
| Contributions and other revenue             | 803,615             | -                                    | 803,615                                 |
| After school program                        | 20,920              | -                                    | 20,920                                  |
| <b>TOTAL REVENUES</b>                       | <u>1,499,061</u>    | <u>35,725</u>                        | <u>1,534,786</u>                        |
| <b>EXPENDITURES</b>                         |                     |                                      |   |
| <b>Current - Educational</b>                |                     |                                      |   |
| Instruction                                 | 1,028,250           | -                                    | 1,028,250                               |
| Administrative support services             | 264,597             | -                                    | 264,597                                 |
| Other support services                      | 181,521             | -                                    | 181,521                                 |
| Operation of plant                          | 241,649             | -                                    | 241,649                                 |
| After school program                        | 4,244               | -                                    | 4,244                                   |
| <b>Capital Outlay:</b>                      |                     |                                      |   |
| Furniture & equipment purchase              | -                   | 35,725                               | 35,725                                  |
| <b>TOTAL EXPENDITURES</b>                   | <u>1,720,261</u>    | <u>35,725</u>                        | <u>1,755,986</u>                        |
| <b>EXCESS OF EXPENDITURES OVER REVENUES</b> | (221,200)           | -                                    | (221,200)                               |
| <b>INTEREST AND INVESTMENT INCOME</b>       | 8,776               | -                                    | 8,776                                   |
| <b>RESTRICTED PROGRAM SUPPORT</b>           |                     |                                      |   |
| TRANSFER OF RESTRICTED FUNDS - IN           | 42,563              | -                                    | 42,563                                  |
| TRANSFER OF RESTRICTED FUNDS - OUT          | <u>(9,749)</u>      | <u>-</u>                             | <u>(9,749)</u>                          |
| <b>NET CHANGES IN FUND BALANCES</b>         | (179,610)           | -                                    | (179,610)                               |
| <b>FUND BALANCES - BEGINNING</b>            | <u>1,728,645</u>    | <u>-</u>                             | <u>1,728,645</u>                        |
| <b>FUND BALANCES - ENDING</b>               | <u>\$ 1,549,035</u> | <u>\$ -</u>                          | <u>\$ 1,549,035</u>                     |

See accompanying notes to the financial statements

**THE ISLAND SCHOOL, INC**  
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 – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

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NET CHANGES IN FUND BALANCES -  
TOTAL GOVERNMENTAL FUNDS \$ (179,610)

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

Capital outlays are reported in governmental funds as expenditures.  
However, in the statement of activities, the cost of those assets is  
allocated over their useful lives as depreciation expense. This is the  
amount by which capital outlays of \$100,141 is less than depreciation  
expense of \$124,048 in the current period. It is further reduced by a loss  
due to the disposition of assets in the amount \$1,045 that is not  
reported on the governmental fund statements.

(24,952)

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.

(49,845)

NET CHANGES IN NET POSITION

\$ (254,407)

See accompanying notes to the financial statements

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

The Island School, Inc. (the “School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of seven members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsored school district, the District School Board of Lee County, Florida (the “School Board”). The current charter is effective until June 30, 2035 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown.

In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board. The School is considered a component unit of the School Board; 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 Governmental Accounting Standards Board’s (GASB) Codification of Governmental Accounting and Financial Reporting Standards 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, The Island School Foundation, Inc. would qualify as a component unit and be included in the reporting entity of the School.

Component Unit(s) - These financial statements present the School (the primary government) and do not include the data of the Foundation necessary for reporting in conformity with generally accepted accounting principles (GAAP). Complete financial statements of the Foundation can be obtained from the Foundation’s administrative office.

The Foundation is considered a component unit of the School because these restricted resources held by the Foundation has only been used by, or for the benefit of, the School. During the year ended June 30, 2023, the Foundation provided support to the School of \$430,000.

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

---

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

BASIS OF PRESENTATION

Government-wide financial statements - The Statement of Net Position and the Statement of Activities provide a broad overview of the School's overall financial status. Over time, increases or decreases in the School's net position are one indicator of whether its financial health is improving or deteriorating. Program revenues include charges paid by the recipient of goods and services offered by the program; and grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund financial statements - The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for as individual funds based on the purposes for which they are to be sent 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.

Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.

For purposes of these statements, both funds constitute major funds.

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

BASIS OF ACCOUNTING

Basis of accounting refers to when revenues and 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 presented using the accrual basis of accounting with an economic resource focus. Revenues are recognized when earned and expenses are recognized when incurred. The modified accrual basis of accounting and current financial resource 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 School considers revenues to be available if they are collected within 60 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 principle 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.

CASH AND CASH EQUIVALENTS

The School considers all liquid investments with original maturities of three months or less to be cash equivalents.

INVESTMENTS

Investments consist of U.S. Treasury Bond and fixed income EFT funds and are valued at fair value. Fair value is determined using quoted market prices. Investment income consists of interest income and the net change for the year in the fair value of investments less investment expenses.

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

---

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

ACCOUNTS RECEIVABLE

Accounts receivable consist of tuition and fee charges to students and charges for services provided to students. Accounts receivables are recorded net of estimated uncollectible amounts. The School records an allowance for doubtful student accounts receivable that is based on various factors, such as historical collection information and existing economic conditions.

CAPITAL ASSETS AND DEPRECIATION

Expenditures for capital assets acquired for general School purposes are reported in the governmental fund that financed the acquisition. The capital assets acquired are reported at cost, net of accumulated depreciation, in the government-wide financial statements. The School capitalizes assets with a cost of \$1,000 or more. Donated assets are recorded at fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range as follows:

|                                   |           |
|-----------------------------------|-----------|
| Buildings and improvements        | 40 years  |
| Furniture, fixtures and equipment | 2-7 years |
| Smartboards                       | 7 years   |
| Reading curriculum                | 7 years   |
| Science room equipment            | 7 years   |
| Project child learning system     | 5 years   |

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.



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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

NET POSITION AND FUND BALANCE CLASSIFICATION

Net Position are classified and reported in three components:

- 1) Net investment in capital assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition of those assets.
- 2) Restricted – consists of net position with constrains placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- 3) Unrestricted – all other net positions that do not meet the definition of “restricted” or “net investment in capital assets”

Fund balances are classified and reported in the following categories:

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

REVENUE SOURCES

Revenues for current operations are received from the District School Board of Lee County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP).

Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the students during the designated full-time equivalent student survey periods. The administrative fee paid to the School Board is 2% of the Florida Education Finance Program Funds, or \$11,495 for the year ended June 30, 2023. The fee was decreased from 5% to 2% in November of 2019. The cost is reflected as a school administration expenditure in the statement of activities and statement of revenues, expenditures, and changes in fund balances – governmental funds.

Revenue is received in the form of donations from local community organizations and community members. These donations are in the form of unrestricted and restricted funds for the general school operations and for donors' specific purposes.

INCOME TAX EXEMPTION

The School is exempt from Federal income taxes under the provision of Section 501 (c) (3) of the Internal Revenue Code. Therefore, no provision for income taxes has been made.

Management is not aware of any tax positions that are more likely than not to change in the next twelve months, or that would not sustain an examination by applicable taxing authorities.

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 1 – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES  
(CONTINUED)

RISK MANAGEMENT PROGRAM

General liability and professional liability are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Workers' compensation coverage, health and hospitalization are purchased as part of the leased employee program. Settled claims resulting from these risks have not exceeded commercial coverage. The School's exterior of the building is covered under the lease agreement with the county. The School's personal property is covered through a separate policy.

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, and other changes in net position during the reporting period. Actual results could differ from those estimates.

NOTE 2 –DEPOSITS AND INVESTMENTS

Cash deposits are covered by FDIC insurance and held by banks qualified as public depositories under Florida law. Investment deposits are covered by standard investment institution insurance (SIPC insurance) and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School's cash and cash equivalents consist primarily of demand deposits. The components of investment income as of June 30, 2023 are summarized as follows:

|   | Cost         | Market Value |
|---|--------------|--------------|
| Money market funds  | \$ 44,446    | \$ 44,446    |
| Fixed income securities   | 1,130,429    | 1,056,048    |
| Total   | \$ 1,174,875 | \$ 1,100,494 |
| Investment activity for the year ended June 30, are as follows: |              |              |
| Interest and dividends  |              | \$ 25,493    |
| Investment fees   |              | (2,183)      |
| Investment income, net of investment fees                       |              | 23,310       |
| Realized gain/ (loss) on investments                            |              | -            |
| Unrealized gain/(loss) on investments                           |              | (14,534)     |
| Realized and unrealized gain/(loss) on investments              |              | (14,534)     |
| Investment income before loss on sales of investments           |              | 8,776        |
| Loss on sales of investments                                    |              | (1,045)      |
| Investment income   |              | \$ 7,731     |

THE ISLAND SCHOOL, INC  
A CHARTER SCHOOL AND COMPONENT UNIT  
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Strategic Reserve Fund - The Board of Directors of the School established a “Strategic Reserve Fund”. The Strategic Reserve Fund functions as a quasi-endowment. Thus, the funds in the account are available for financial support of the School without donor restriction. Further, the ability of the Directors to invade principal also led to the decision to classify the funds in that account as board designated.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

|  | Beginning<br>Balance | Increase/<br>(Decrease) | Ending<br>Balance |
|--|----------------------|-------------------------|-------------------|
| Capital assets:                              |                      |                         |                   |
| Buildings and improvements                   | \$ 2,997,623         | \$ -                    | \$ 2,997,623      |
| Furniture, fixtures and equipment            | 251,586              | 76,575                  | 328,161           |
| Smartboards                                  | 56,503               | (7,784)                 | 48,719            |
| Science room equipment                       | 14,370               | 535                     | 14,905            |
|  | 3,320,082            | 69,326                  | 3,389,408         |
| Less accumulated depreciation                | (1,286,335)          | (94,279)                | (1,380,614)       |
| Total capital assets, net                    | \$ 2,033,747         | \$ (24,953)             | \$ 2,008,794      |
| Depreciation:                                |                      |                         |                   |
| Instruction and instruction-related services |                      | \$ 45,154               |                   |
| Administration support services              |                      | 1,400                   |                   |
| Operation of plant                           |                      | 77,494                  |                   |
| Total depreciation expense                   |                      | \$ 124,048              |                   |

NOTE 4 – SCHEDULE OF STATE REVENUE SOURCES

The following is a detailed schedule of state funds received from the District School Board of Lee County, Florida:

|                                   |            |
|-----------------------------------|------------|
| Florida education finance program | \$ 541,556 |
| Professional development          | 2,318      |
| Esser II grant                    | 16,273     |
| Esser III grant                   | 109,421    |
| Capital outlay                    | 35,725     |
| Safety grant                      | 4,958      |
| Total                             | \$ 710,251 |

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

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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**NOTE 5 – EMPLOYEES BENEFIT PLAN**

Plan Description - all part-time and full-time permanent employees of the School are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at:

<https://www.myfloridacfo.com/transparency/state-financial-reports/FL-ACFR>

Under this system, there are two defined benefit pension plans: The Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program:

- 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 Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes.

Benefits Provided - the FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under the FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

Plan Provisions - if first employed prior to July 1, 2011: Normal retirement age for “regular” employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

If first employed on or after July 1, 2011: Normal retirement age for “regular” employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years’ earnings.

**THE ISLAND SCHOOL, INC**  
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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NOTE 5 – EMPLOYEES BENEFIT PLAN (CONTINUED)

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

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive 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 must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made - per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into, which require employees to contribute 3% and employers to contribute based on class. The School's contractually required contribution rate for the year ended June 30, 2022 was 13.57% for regular employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the School were \$67,944 for the year ended June 30, 2023, which equaled required contributions and approximated 13.57% of covered payroll.

The HIS Program is funded by required contributions of 1.66% and is included in the contribution rates noted above.

At June 30, 2023, the School reported a liability of \$310,336 for its proportionate share of the net pension liability which includes both FRS and HIS. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The School's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

**THE ISLAND SCHOOL, INC**  
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**OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA**

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

**NOTE 5 – EMPLOYEES BENEFIT PLAN (CONTINUED)**

At June 30, 2022, the School’s proportion was 0.000605003% for FRS and 0.0080466% for HIS which was consistent with its proportion measured in the previous year. Pertaining to the June 30, 2023 measurement, the School recognized pension expense of \$61,806. Additionally, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | FRS                               |                                     | HIS                                  |                                     |
|--|-----------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
|  | Deferred Outflows<br>of Resources | Deferred<br>Inflows of<br>Resources | Deferred<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
| Difference between expected and actual<br>experience   | \$ 10,691                         | \$ -                                | \$ 2,587                             | \$ 375                              |
| Changes in assumptions   | 27,723                            | -                                   | 4,885                                | 13,184                              |
| Net difference between projected and<br>actual earnings on pension plan<br>investments                   | 14,864                            | -                                   | 123                                  | -                                   |
| Change in proportion and difference<br>between contributions and<br>proportionate share of contributions | 135,848                           | -                                   | 77,330                               | -                                   |
|  | <u>\$ 189,126</u>                 | <u>\$ -</u>                         | <u>\$ 84,925</u>                     | <u>\$ 13,559</u>                    |

Total deferred outflows were \$274,051 and total deferred inflows were \$13,559.

Actuarial Assumptions - The total pension liability in the July 1, 2022 actuarial valuation (June 30, 2023 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation 2.40%
- Salary increases 3.25%, including inflation
- Investment rate of return 6.70%, including inflation at 2.40%

**THE ISLAND SCHOOL, INC**  
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 5 – EMPLOYEES BENEFIT PLAN (CONTINUED)

Mortality assumptions for the FRS and HIS plans were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS program were based on the Generational RP-2010 with Projection Scale MP-2018 tables. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study performed in 2020 for the period July 1, 2013 – June 30, 2018. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments consists of two building block components: 1) a real (in excess of inflation) return of 4.20%, consistent with the 4.20% real return from the capital market outlook model developed by the FRS consulting actuary, Milliman; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2022 by the FRS Actuarial Assumption Conference. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

| Asset Class           | Target<br>Allocation | Annual<br>Arithmetic<br>Return |
|-----------------------|----------------------|--------------------------------|
| Cash                  | 1.0%                 | 2.6%                           |
| Fixed income          | 19.8%                | 4.4%                           |
| Global equity         | 54.0%                | 8.8%                           |
| Real estate           | 10.3%                | 7.4%                           |
| Private equity        | 11.1%                | 12.0%                          |
| Strategic investments | 3.8%                 | 6.2%                           |

The discount rate used to measure the total FRS pension liability was 6.70%, and the HIS pension liability was 3.54%. The HIS rate increased from 2.16% to 3.54% in the most recent actuarial study. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined.



THE ISLAND SCHOOL, INC  
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 5 – EMPLOYEES BENEFIT PLAN (CONTINUED)

Based on those assumptions, the pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following changes in actuarial assumptions occurred in the 2022 valuation:

- HIS: The municipal rate used to determine total pension liability was decreased from 2.16% to 3.54%.
- Sensitivity of the School’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the School’s proportionate share of the FRS net pension liability calculated using the discount rate of 6.70%, as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.70%) or 1-percentage-point higher (7.70%) than the current rate:

|   | 1% Decrease<br>(5.70%) | Discount Rate<br>(6.70%) | 1% Increase<br>(7.70%) |
|---|------------------------|--------------------------|------------------------|
| School's proportionate share of the FRS net pension liability | \$ 389,312             | \$ 225,110               | \$ 87,817              |

The following presents the School’s proportionate share of the HIS net pension liability calculated using the discount rate of 3.54%, as well as what the School’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.54%) or 1-percentage-point higher (4.54%) than the current rate:

|   | 1% Decrease<br>(1.16%) | Discount Rate<br>(3.54%) | 1% Increase<br>(4.54%) |
|---|------------------------|--------------------------|------------------------|
| School's proportionate share of the HIS net pension liability | \$ 97,506              | \$ 85,226                | \$ 75,066              |

THE ISLAND SCHOOL, INC  
A CHARTER SCHOOL AND COMPONENT UNIT  
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NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

NOTE 5 – EMPLOYEES BENEFIT PLAN (CONTINUED)

Pension Plan Fiduciary Net Position the School’s proportion of net position has been determined on the same basis as each Plan. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of Florida comprehensive annual financial report.

|       | Deferred<br>Outflows | Net Pension<br>Liability | Deferred<br>Inflows |
|-------|----------------------|--------------------------|---------------------|
| FRS   | \$ 189,126           | \$ 225,110               | \$ -                |
| HIS   | 84,925               | 85,226                   | 13,559              |
| Total | \$ 274,051           | \$ 310,336               | \$ 13,559           |

NOTE 6 – COMMITMENTS AND CONTINGENT LIABILITIES

GRANTS

The School participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collection of any related receivable at June 30, 2023 may be impaired.

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

LEGAL MATTERS

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

LEASES

In June 2017, the GASB issued Statement No. 87, Leases. This pronouncement requires recognition and reporting of certain lease assets and liabilities for leases that previously were classified as operating leases. The School adopted a lease’s policy, where leases with annual payments over \$5,000 will be subject to this standard. Payments for leases under this threshold will be recorded as lease expense. Currently the School has only one lease for a copier which falls under the \$5,000 threshold.

**THE ISLAND SCHOOL, INC**  
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OF THE DISTRICT SCHOOL BOARD OF LEE COUNTY, FLORIDA

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2023

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NOTE 6 – COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

The School utilizes classroom and administrative facilities under an operating lease with Lee County. The lease amount is \$1 per year. The fair value of the lease payment has not been estimated and therefore has not been recognized as an in-kind contribution. The effect of this in-kind contribution has not been reported on the financial statements and the effects on the financial statements have not been determined.

LAND LEASE

The School entered into a land lease agreement with Lee County on April 25, 2006. The lease is for real property at 131 1<sup>st</sup> Street West, Boca Grande, Florida and is located at the County's Boca Grande Community Center. The lease is for a term not to exceed 30 years and has an option to renew for another 30 years upon written agreement with all parties. The rent is \$1 per year. The County will maintain the roof and windows and provide routine maintenance. The School will bear the cost of water/sewer, trash, electricity and telephone. The School may not assign the lease, nor sublet without written approval from the County. The County can not terminate the lease without good cause and the School has the right to terminate the lease with one year's written notice. Upon termination of the lease, the lessee may remove personal property, however, the building, fixtures and real property belong to the County. During the fiscal year June 30, 2008 the building was transferred to Lee County Parks and Recreations in exchange for a 30 year lease with a 30 year option.

NOTE 7 – SUBSEQUENT EVENTS

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 15, 2023 the date the financial statements were available to be issued.

**Required Supplemental Information**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual (Budgetary Basis) – General Fund**

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

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (BUDGETARY BASIS) – GENERAL FUND

YEAR ENDED JUNE 30, 2023

|                                     | Final<br>Budgeted<br>Amounts | Actual              | Variance<br>with Final<br>Budget |
|-------------------------------------|------------------------------|---------------------|----------------------------------|
| <b>REVENUES</b>                     |                              |                     |                                  |
| State formula grants                | \$ 553,000                   | 710,251             | \$ 157,251                       |
| Contributions and other revenue     | 1,090,000                    | 767,890             | (322,110)                        |
| After school program                | 30,000                       | 20,920              | (9,080)                          |
| Miscellaneous                       | 1,000                        | -                   | (1,000)                          |
| <b>TOTAL REVENUES</b>               | <u>1,674,000</u>             | <u>1,499,061</u>    | <u>(174,939)</u>                 |
| <b>EXPENDITURES</b>                 |                              |                     |                                  |
| Instruction                         | 1,142,485                    | 1,028,250           | 114,236                          |
| Instruction staff development       | 13,000                       | -                   | 13,000                           |
| Administrative support services     | 317,595                      | 264,597             | 52,998                           |
| Other support services              | 193,900                      | 181,521             | 12,379                           |
| Operation of plant                  | 78,501                       | 241,649             | (163,148)                        |
| After school program                | 4,000                        | 4,244               | (244)                            |
| <b>TOTAL EXPENDITURES</b>           | <u>1,749,481</u>             | <u>1,720,261</u>    | <u>29,220</u>                    |
| <b>NET CHANGES IN FUND BALANCES</b> | <u>\$ (75,481)</u>           | <u>\$ (221,200)</u> | <u>\$ (145,719)</u>              |

**NOTE 1-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 (e.g. salaries and benefits, purchased services, material and supplies and capital outlay) within each activity (e.g. instruction, school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

# Lengemann & Associates, P.C.

Certified Public Accountants

www.lengemanncpa.com

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

Board of Directors  
The Island School, Inc  
Boca Grande, 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of The Island School, Inc (hereinafter the "School"), as of and for the year ended June 30, 2023, 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 15, 2023.

### Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings as items 2023-01, and 2023-02, that we consider to be significant deficiencies.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. However, providing an opinion on compliance with those provisions was not a objective of our audit, and accordingly, we do not express such an opinion.

### **School's Responses to Findings**

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

### **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.

*Lengemann & Associates, P.C.*

LENGEMANN & ASSOCIATES, P.C.  
Papillion, Nebraska  
September 15, 2023

## Schedule of Findings and Responses

### Significant Deficiency of Internal Control Over Financial Reporting Identified 2023 – 01

#### *Criteria (Significant Deficiency)*

Internal Controls should be in place to provide for preparation of the financial statements and notes in accordance with accounting principles generally accepted in the United States of America.

#### *Condition (Significant Deficiency)*

The Board of Directors has engaged an outside audit firm to prepare the financial statements and notes in accordance with accounting principles generally accepted in the United States of America.

#### *Cause (Significant Deficiency)*

The School has no administrative personnel available to prepare the financial statements and notes in accordance with accounting principles generally accepted in the United States of America.

#### *Effect (Significant Deficiency)*

The School is not in compliance with regulatory requirements to prepare the financial statements and notes in accordance with accounting principles generally accepted in the United States of America.

#### *Recommendation*

We recommend the Board of Directors become more aware of regulatory requirements and provide required oversight of financial reporting.



## Schedule of Findings and Responses

### Significant Deficiency of Internal Control Over Financial Reporting Identified 2023 – 02

#### *Criteria (Significant Deficiency)*

The organization maintains an internal control system designed to provide for the adequate segregation of duties.

#### *Condition (Significant Deficiency)*

Due to the size of the School staff, there is limited segregation of duties over bookkeeping functions. The same individual reconciles the bank statements, and prepares the checks.

#### *Cause (Significant Deficiency)*

The School has limited staff size.

#### *Effect (Significant Deficiency)*

There is increased risk of financial misstatement associated with the limited segregation of duties.

#### *Recommendation*

It is the responsibility of those charged with governance to continue to provide the necessary oversight and monitoring required to reduce the degree of risk associated with this condition.

**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

To the Board of Directors of The Island School, Inc.  
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 The Island School, Inc. as of and for the fiscal year ended June 30, 2023, and have issued our report thereon dated September 15, 2023.

**Auditor's Responsibility**

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

**Other Reporting Required by Government Auditing Standards**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 15, 2023 should be considered in conjunction with this management letter.

**Prior Audit Findings**

The Rules of the Auditor General (Section 10.854 (1)(e)(1)) require that we comment as to whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding financial audit report. No specific recommendations were made in the prior year.

**Official Title**

Section 10.854 (1)(e) 1., Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is The Island School, Inc. The School's State ID number is FL-36-4100.

**Financial Condition**

The *Rules of the Auditor General* (Section 10.854 (1)(e)(2)) requires a statement as to whether or not the entity 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 determine 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 Auditor General (for charter schools and centers only)*, we applied financial condition assessment procedures. It is management's responsibility to monitor, The Island School's, Inc. 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**

The *Rules of the Auditor General* (Section 10.854 (1)(e)(3)) requires disclosure in the management letter of any recommendations to improve present financial management, accounting procedures, and internal controls. There are no recommendations.

Section 10.854(1)(e)(4), *Rules of the Auditor General*, requires that we address non compliance with provision of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have effect on the financial statements that is less than material but more than inconsequential. 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, Federal and other granting agencies, the Board of Directors, applicable management, and the District School Board of Lee and is not intended to be and should not be used by anyone else other than these specified parties.

*Lengemann & Associates, P.C.*

Papillion, NE  
March 20, 2024