

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

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

**AS OF AND FOR THE YEAR ENDED
JUNE 30, 2018**



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018

The discussion and analysis of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School's (the "School") financial performance provides an overall review of the School's financial activities for the year ended June 30, 2018. 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, 2018 represents the twelfth year of operations for the School. For the first five years of operation, the School was operated by a national educational management provider. Upon termination of that agreement, the Corporation and the School were required to change names. "Life Skills Center – Lee County, Inc." officially became "City of Palms Charter High School, Inc." operating City of Palms Charter High School as of July 2011. In June 2016, the School District of Lee County approved renewal of the School's contract for 10 years, through June 30, 2026. The governing board has hired a Principal to oversee educational aspects of the School and contracted a local management company, Consulting + Professional Assistance, Inc., to manage all business operations related to the School.

Financial Highlights

At the close of the fiscal year, assets of the School exceeded liabilities by \$442,910 (net position). This is a decrease of \$34,109 from the prior year when assets exceeded liabilities by \$477,019. Average enrollment decreased from 181 to 163. Operating revenues exceeded operating expenditures by \$30,687. Amounts due from Northern Palms Charter High School of \$64,796 were forgiven at the end of the year to create a net decrease to fund balance of \$34,109.

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.

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* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018
(continued)

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Position

	<u>2018</u>	<u>2017</u>	<u>Increase (Decrease)</u>
Assets			
Current assets	\$ 473,948	\$ 506,393	\$ (32,445)
Capital assets, net	<u>1,550</u>	<u>12,930</u>	<u>(11,380)</u>
Total assets	<u>\$ 475,498</u>	<u>\$ 519,323</u>	<u>\$ (43,825)</u>
Liabilities			
Current liabilities	\$ 32,062	\$ 29,510	\$ 2,552
Deferred rent	<u>526</u>	<u>12,794</u>	<u>(12,268)</u>
Total liabilities	<u>\$ 32,588</u>	<u>\$ 42,304</u>	<u>\$ (9,716)</u>
Net Assets			
Invested in capital assets	\$ 1,550	\$ 12,930	\$ (11,380)
Restricted	90,617	-	90,617
Unrestricted	<u>350,743</u>	<u>464,089</u>	<u>(113,346)</u>
Total net position	<u>\$ 442,910</u>	<u>\$ 477,019</u>	<u>\$ (34,109)</u>

The decrease in current assets is related to decreases in cash balances, intercompany receivables and prepaid expenses. Net capital assets are represented primarily by computer workstations, software, desks, tables and chairs. During fiscal year 2017, the School amended the lease agreement. The agreement contains provisions for annual rent increases over a five year period resulting in deferred rent at June 30, 2018.

Change in Net Position

The table on the following page provides a comparative summary of School's changes in net position, revenues and expenses for fiscal years 2018 and 2017.

Revenues from the Florida Education Finance Program (FEFP) decreased proportionally to the decrease in enrollment. Capital outlay funding increased by nearly doubled over the prior year due to local capital improvement revenues not received in prior years. During FY17, the School was the recipient of over \$12,000 Federal Title I funding for which the school was not eligible in FY18. Expenses increased by 4.8% over the prior year. During September 2017, school was closed for over 3 weeks due to "Hurricane Irma". To make up hours missed, the school day was extended to six hours from five hours for the months of November and December. Food service was provided during that time to be compliant with statute.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. *dba* CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018
(continued)

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL -
Change in Net Position *(continued)*

	2018	2017	Increase (Decrease)
Revenues			
Federal Title I grant	\$ -	\$ 12,276	\$ (12,276)
State and local sources	1,046,949	1,161,712	(114,763)
Capital outlay	39,527	63,800	(24,273)
Local capital improvement revenue	90,617	-	90,617
Contribution and other revenues	6,175	5,000	1,175
Total revenues	1,183,268	1,242,788	(59,520)
Expenses			
Instruction	403,381	387,805	15,576
Instructional support services	116,200	108,255	7,945
Board	28,044	24,978	3,066
School administration	416,212	411,097	5,115
Central services	52,343	56,909	(4,566)
Food service	3,000	-	3,000
Pupil transportation services	3,350	10,650	(7,300)
Operation of plant	126,295	160,144	(33,849)
Maintenance of plant	3,756	1,687	2,069
Total expenses	1,152,581	1,161,525	(8,944)
Net income from operations	30,687	81,263	(50,576)
Less: Forgiveness of debt	(64,796)	-	64,796
Change in net position	\$ (34,109)	\$ 81,263	\$ (115,372)

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

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

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

In particular, unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the School's governmental fund reports a combined ending unassigned fund balance of \$341,159 – a 15% (\$62,197) decrease from the prior year. The changes are the combined results of lower enrollment after Hurricane Irma and forgiveness of debt. At June 30, 2018, unassigned fund balance remains over three times the average operating expenditures for one month.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. dba CITY OF PALMS CHARTER HIGH SCHOOL
 MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018
 (continued)

General Fund Budgetary Highlights

The School prepares an annual budget based on the expected funded enrollment for the year. The original budget anticipated enrollment of 183 students. The budget was revised once the School's final full-time equivalent enrollment could be determined based on the required count dates in October and February. Enrollment in the current fiscal year was 163 students.

The School's revised final general fund budget anticipated net revenues of \$20,000 after additional \$90,617 for local capital improvement funds were received and after increased expenditures related to Hurricane Irma were accounted for. Actual results produced a surplus of \$42,593 from operations. Subsequently, the School forgave \$64,796 of debt owed by Northern Palms Charter High School, resulting in a net decrease to fund balance of \$34,109. Actual revenues were \$268 over estimates while total operating expenses were greater than estimates by \$21,799.

Capital Assets

The School had \$1,550 invested in capital assets at June 30, 2018. The capitalization threshold for classification of long-term assets is \$1,000.

Capital Assets - Net of Depreciation/Amortization

	2018	2017	(Decrease)
Furniture, fixtures + equipment	\$ 1,550	\$ 12,930	\$ (11,380)

Obsolete fully amortized computer software in the amount of \$86,717 was written off in 2016 leaving a fully amortized software balance of \$25,000.

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 second year of the School's 10-year renewal contract. After the initial contract period, when the School operated as *Life Skills Center – Lee County*, the City of Palms Charter High School was granted a 5-year renewal contract and opened in fiscal year 2012 with a new name, a new location and a new educational management company. Long-term sustainability has been demonstrated by consistent enrollment, staff retention and cooperative relationships with the School District of Lee County. During June 2016, the School's contract was renewed for an additional ten years beginning July 1, 2016 and ending June 30, 2026.

City of Palms Charter High School received initial accreditation from AdvancEd/SACS in 2010. In June 2015, the School was once again accredited by the Southern Association of Colleges and Schools Council on Accreditation and School Improvement.

The Board of Directors of City of Palms Charter High School, Inc. has contracted with Consulting and Professional Assistance, Inc. ("CPA's") to provide day-to-day 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 the revenues received by the School.

CITY OF PALMS CHARTER HIGH SCHOOL, INC. dba CITY OF PALMS CHARTER HIGH SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2018
(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 are approximately \$1.068 million, a decrease of approximately 10% from fiscal year 2018 actual amounts. The decrease is due to anticipated lower enrollment, discontinued Title I funding and changes related to capital outlay funds. Budgeted expenditures are approximately \$1.068 million, a decrease of approximately \$150,000 from fiscal year 2018 actual amounts. The additional mandatory expense of a Student Resource Officer from the Lee County Sheriff's Office will add over \$60,000 to the FY19 budget. If the above estimates are realized, the general fund is expected to break even at the end of fiscal year 2019.



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of City of Palms Charter High School, Inc., *dba* City of Palms Charter High School a Charter School and Component Unit of the District School Board of Lee County, Florida, (the "School") as of and for the year ended June 30, 2018, 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.

Auditor's 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, 2018, 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* City of Palms Charter High School at June 30, 2018, 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, 2018 and its changes in financial position for the year then ended 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 3-7 and 27-28 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 and 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 October 24, 2018, 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

Altamonte Springs, Florida
October 24, 2018

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Statement of Net Position

June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 400,214
Accounts receivable	26,554
Due from related parties	37,070
Other assets	10,110
Capital assets:	
Furniture, fixtures and equipment	71,279
Computer software	25,000
Less accumulated depreciation	<u>(94,729)</u>
Total capital assets, net	<u>1,550</u>
Total assets	<u><u>\$ 475,498</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 32,062
Deferred rent	<u>526</u>
Total liabilities	<u><u>\$ 32,588</u></u>
Net Position	
Invested in capital assets, net of related debt	\$ 1,550
Restricted for capital projects	90,617
Unrestricted	<u>350,743</u>
Total net position	<u><u>\$ 442,910</u></u>

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

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

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

Statement of Activities

For the Year Ended June 30, 2018

	Expenses	Program Specific Revenues Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position Total Governmental Activities
Governmental activities:			
Instruction	\$ 403,381	\$ -	\$ (403,381)
Instructional support services	116,200	-	(116,200)
Board	28,044	-	(28,044)
School administration	416,212	-	(416,212)
Central services	52,343	-	(52,343)
Food service	3,000	-	(3,000)
Transportation	3,350	-	(3,350)
Operation of plant	126,295	39,527	(86,768)
Maintenance of plant	3,756	-	(3,756)
 Total primary government	 \$ 1,152,581	 \$ 39,527	 (1,113,054)
		State and local sources	1,137,566
		Contribution and other revenues	6,175
		Total general revenues	1,143,741
		Change in net position from operations	30,687
		Forgiveness of debt	(64,796)
		Net position at beginning of year	477,019
		Net position at end of year	\$ 442,910

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

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

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

Balance Sheet – Governmental Fund

June 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ 309,597	\$ 90,617	\$ 400,214
Accounts receivable	26,554	-	26,554
Due from related parties	37,070	-	37,070
Other assets	10,110	-	10,110
	<u>\$ 383,331</u>	<u>\$ 90,617</u>	<u>\$ 473,948</u>
Liabilities			
Accounts payable and accrued expenses	\$ 32,062	\$ -	\$ 32,062
	<u>32,062</u>	<u>-</u>	<u>32,062</u>
Fund Balances			
Nonspendable:			
Deposits	3,763	-	3,763
Prepaid expenses	6,347	-	6,347
Restricted for capital projects	-	90,617	90,617
Spendable:			
Unassigned	341,159	-	341,159
	<u>351,269</u>	<u>90,617</u>	<u>441,886</u>
	<u>\$ 383,331</u>	<u>\$ 90,617</u>	<u>\$ 473,948</u>

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

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

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

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

June 30, 2018

Total fund balance - governmental funds	\$ 441,886
Amounts reported for governmental activities in the statement of net assets are different because:	
Rents are averaged over the life of the lease in the statement of net assets	(526)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets are \$96,279 and the accumulated depreciation is \$94,729	<u>1,550</u>
Total net position - governmental activities	<u>\$ 442,910</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

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

For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Revenues			
State and local sources			
Florida Education Finance Program	\$ 1,046,949	\$ -	\$ 1,046,949
Capital outlay	-	39,527	39,527
Local capital improvement revenue	-	90,617	90,617
Contribution and other revenues	6,175	-	6,175
	<u>1,053,124</u>	<u>130,144</u>	<u>1,183,268</u>
Expenditures			
Instruction	393,548	-	393,548
Instructional support services	116,200	-	116,200
Board	28,044	-	28,044
School administration	414,665	-	414,665
Central services	52,343	-	52,343
Food service	3,000	-	3,000
Transportation	3,350	-	3,350
Operation of plant	86,242	39,527	125,769
Maintenance of plant	3,756	-	3,756
	<u>1,101,148</u>	<u>39,527</u>	<u>1,140,675</u>
Net changes in fund balances from operations	(48,024)	90,617	42,593
Forgiveness of debt	(64,796)	-	(64,796)
Fund balances at beginning of year	464,089	-	464,089
Fund balances at end of year	<u>\$ 351,269</u>	<u>\$ 90,617</u>	<u>\$ 441,886</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

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

For the Year Ended June 30, 2018

Net changes in fund balance - total governmental funds	\$ (22,203)
Amounts reported for governmental activities in the statement of activities are different because:	
Rents are averaged over the life of the lease in the statement of net assets	(526)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense (\$11,380) in the current period.	<u>(11,380)</u>
Change in net position of governmental activities	<u>\$ (34,109)</u>

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

For the Year Ended June 30, 2018

1. DESCRIPTION OF SCHOOL AND REPORTING ENTITY

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

The School contracts with Consulting and Professional Assistance, Inc. ("CPA's) for management of day-to-day operations. (See Note 9). The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Lee County, Florida (the "District"). The current contract was renewed by mutual written agreement between the School and the District for ten years beginning July 1, 2016 ending June 30, 2026.

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

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

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation

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

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

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

The fund financial statements provide more detailed information about the School's most significant funds, not the School as a whole. A fund is an accounting entity having a self-balancing set of accounts for recording assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based on the purpose for which they are spent and the means by which spending activities are controlled. The funds in the financial statements of this report are the General Fund and Capital Projects Fund. The General Fund is the School's primary operating fund and accounts for all financial resources not required to be accounted for in another fund. For purposes of these statements, the General Fund and Capital Project 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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

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

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

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

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 Fund.

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, 2018, these accounts total \$400,214. Amounts deposited above the FCID insured amount equal approximately \$150,214. The School does not anticipate any losses associated with these accounts.

Capital Assets and Depreciation

The School's capitalization threshold is \$1,000 overall and \$750 for federal expenditures. 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 will be charged over the remaining life of the lease.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

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

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(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 from the School, which is included as administrative expense/expenditure in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund.

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 2017, in addition to PECO funds, the School received "Local Capital Improvement Revenues" (\$90,617) 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, 2018.

Income Taxes

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements

(continued)

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 or for state income taxes in the financial statements, as the School believes all tax positions, including its continuing status as a not-for-profit entity, have a greater than 50% chance of realization in the event of an IRS audit. The School’s income tax returns for the tax years 2016, 2015, and 2014 are subject to examination by tax authorities, and may change upon examination.

Use of Estimates

In preparing the financial statements, management is sometimes required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses/expenditures during the reporting period. 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 October 24, 2018, which is the date the financial statements were available to be issued.

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 a second school. Palm Acres Charter High School opened in August 2014 in Lehigh Acres. In April 2015, the Board received approval from the School District to operate a third school. Northern Palms Charter High School opened August 2015 in North Fort Myers. During the routine course of business, invoices and payroll which apply to all three 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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

3. RELATED PARTY TRANSACTIONS (continued)

Amounts due from related parties as of June 30, 2018 totaled \$37,070 represented by \$100,801 receivable from Palm Acres Charter High School and \$63,731 payable to Northern Palms Charter High School. These amounts are included in the accompanying statements of net position and balance sheet – governmental funds. The Board of Directors passed a resolution during FY18 to forgive debt owed to City of Palms Charter High School by Northern Palms Charter High School.

4. FAIR VALUE MEASUREMENTS

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

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

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

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

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
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 CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
 (continued)

5. ACCOUNTS RECEIVABLE

At June 30, 2018, fifty-eight percent – 58% (\$37,070) of total accounts receivable of \$63,624 are represented by expenses paid on behalf of Palm Acres and Northern Palms Charter High Schools. The other 42% of total accounts receivable are represented by capital outlay and other miscellaneous items receivable. 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

Approximately half (49%) of prepaid expenses of \$10,110 at June 30, 2018 are represented by prepaid insurance, custodial and other prepaid expenses of \$4,997. Another 37% is represented by security deposits of \$3,763. The remaining 14%, \$1,350, is comprised of prepaid membership dues and miscellaneous other expenses.

7. CAPITAL ASSETS AND DEPRECIATION

For the year ended June 30, 2018, the School's capital assets consisted of the following:

	Beginning Balance	Additions	Ending Balance
Capital assets being depreciated:			
Furniture, fixtures + equipment	\$ 71,279	\$ -	\$ 71,279
Computer software	25,000	-	25,000
Total	\$ 96,279	\$ -	\$ 96,279
Less accumulated depreciation:			
Furniture, fixtures + equipment	\$ (58,349)	\$ (11,380)	\$ (69,729)
Computer software	(25,000)	-	(25,000)
Total	\$ (83,349)	\$ (11,380)	\$ (94,729)
Net capital assets	\$ 12,930	\$ (11,380)	\$ 1,550

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

7. CAPITAL ASSETS AND DEPRECIATION (continued)

Depreciation expense of \$11,380 was allocated and charged to the functions listed below in the accompanying Statement of Activities.

Instruction	\$	9,833
School administration		<u>1,547</u>
Total depreciation expense	\$	<u><u>11,380</u></u>

8. SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

For the year ended June 30, 2018, state and local revenues were received as follows:

Florida Education Finance Program	\$	697,313
Class size reduction		149,372
Discretionary millage		97,655
Local capital improvement revenue (LCIR)		90,617
Capital outlay (PECO)		39,527
ESE Guaranteed Allocation		37,154
Supplemental academic instruction		34,265
Instructional materials		12,436
Student transportation		5,430
K-12 Reading allocation		6,736
Digital classrooms allocation		3,423
Safe schools		2,698
Discretionary lottery		274
Prior year revenue adjustment		126
Other revenue		<u>67</u>
Total state and local revenues	\$	<u><u>1,177,093</u></u>

The administration fee paid to the District during the year ended June 30, 2018 totaled \$52,343. The fee is reflected as central services in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Change in Fund Balance – Governmental Fund.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

During fiscal year 2018, pursuant to Section 31 of Chapter 2017-116, Laws of Florida (House Bill 7069) codified in Section 1013.62 Florida Statutes (F.S.), school districts were required to distribute local capital improvement revenue (LCIR) to eligible charter schools from the discretionary millage authorized in Section 1011.72(2), F.S. For fiscal year 2018, the School received approximately \$90,617 which is reported as state funding in the capital project fund. Funds received under LCIR may only be used for lawful capital outlay expenditures.

9. EDUCATIONAL MANAGEMENT PROVIDERS

Beginning fiscal year 2012, the Board of Directors entered into a contract with Consulting and Professional Assistance, Inc. (CPA's) to provide business 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 and CPA's oversees all other operations. CPA's continuing fee is based upon 15% of gross revenues. The administration expense to CPA's during the year ended June 30, 2018 totaled \$176,545. The fee is reflected as school administration in the accompanying Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.

10. 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.

11. 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.

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

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CITY OF PALMS CHARTER HIGH SCHOOL

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

Notes to Financial Statements
(continued)

Lease commitments

Effective February 1, 2017, the School amended the original 5-year lease agreement. The lease expires June 30, 2022. The lease offers no additional renewal term options. The lease requires the School to pay insurance and other operating costs. Total expense related to the facility lease amounted to \$56,770 for fiscal year 2018.

Future minimum payments under the City of Palms Charter High School lease agreement are as follows:

2019	\$ 51,385
2020	52,926
2021	54,514
2022	<u>56,149</u>
	<u>\$ 214,974</u>

CITY OF PALMS CHARTER HIGH SCHOOL, INC.
dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Required Supplementary Information
 Budgetary Comparison Schedule – General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State and local sources				
State and local sources – FEFP	\$ 1,165,000	\$ 1,046,800	\$ 1,046,949	\$ 149
Contributions and other revenues	-	6,056	6,175	119
Total revenues	1,165,000	1,052,856	1,053,124	268
Expenditures				
Instruction	375,000	396,000	393,548	(2,452)
Instructional support services	120,000	120,000	116,200	(3,800)
Board	25,000	27,000	28,044	1,044
School administration	416,750	420,660	414,665	(5,995)
Central services	58,250	52,340	52,343	3
Food service	-	3,000	3,000	-
Pupil transportation services	14,000	4,000	3,350	(650)
Operation of plant	70,000	92,473	86,242	(6,231)
Maintenance of plant	6,000	8,000	3,756	(4,244)
Total expenditures	1,085,000	1,123,473	1,101,148	(22,325)
Excess of revenues over expenditures	80,000	(70,617)	(48,024)	22,593
Forgiveness of debt	-	-	(64,796)	(64,796)
Fund balance at beginning of year	464,089	464,089	464,089	-
Fund balance at end of year	\$ 544,089	\$ 393,472	\$ 351,269	\$(42,203)

CITY OF PALMS CHARTER HIGH SCHOOL, INC.

dba

CITY OF PALMS CHARTER HIGH SCHOOL

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

Required Supplementary Information
Budgetary Comparison Schedule – Capital Project Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
State and local sources				
Capital outlay revenues (PECO)	\$ 60,000	\$ 39,527	\$ 39,527	\$ -
Local capital improvement revenues (LCIR)	-	90,617	90,617	-
Total revenues	60,000	130,144	130,144	-
Expenditures				
Operation of plant	60,000	39,527	39,527	-
Total expenditures	60,000	39,527	39,527	-
Excess of revenues over expenditures	-	90,617	90,617	-
Fund balance at beginning of year	-	-	-	-
Fund balance at end of year	\$ -	\$ 90,617	\$ 90,617	\$ -



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund for the City of Palms Charter High School, Inc. *dba* City of Palms Charter High School (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, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 24, 2018.

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
October 24, 2018

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



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the Financial Statements

We have audited the financial statements of City of Palms Charter High School, Inc. *dba* City of Palms Charter High School (the "School") as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 24, 2018.

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* City of Palms Charter High School.

Financial Condition

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

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

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

Altamonte Springs, Florida
October 24, 2018