

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT  
OF THE DISTRICT SCHOOL BOARD OF  
POLK COUNTY, FLORIDA**

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

**JUNE 30, 2022**



## CONTENTS

|  | <u>Page</u> |
|--|-------------|
| <b>Management’s Discussion and Analysis</b>  | 1 – 7       |
| <b>Independent Auditor’s Report on Basic Financial Statements and Supplementary Information</b>  | 8 – 10      |
| <b>Basic Financial Statements:</b>   |             |
| Statement of Net Position  | 11          |
| Statement of Activities  | 12          |
| Balance Sheet – Governmental Funds   | 13          |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  | 14          |
| Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds  | 15          |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities  | 16          |
| Statement of Fiduciary Net Position  | 17          |
| Statement of Changes in Fiduciary Net Position   | 18          |
| Notes to Financial Statements  | 19 – 35     |
| <b>Required Supplementary Information:</b>   |             |
| Budgetary Comparison Schedule – General Fund   | 36          |
| Budgetary Comparison Schedule – Special Revenue Fund   | 37          |
| Schedule of Proportionate Share of Net Pension Liability (Asset)   | 38          |
| Schedule of Contributions – Pension Plans  | 39          |
| <b>Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i></b> | 40 – 41     |
| <b>Additional Information Required by Rules of the Auditor General, Chapter 10.850, <i>Audits of Charter Schools and Similar Entities, Florida Virtual School, and Virtual Instruction Program Providers:</i></b>                |             |
| Management Letter  | 42 – 44     |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the annual financial report of Edward W. Bok Academy South (the "School"), previously known as Edward W. Bok Academy, presents management's discussion and analysis of the School's financial performance during the fiscal year ended June 30, 2022. Please read it in conjunction with the School's financial statements, which follow this section.

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

### FINANCIAL HIGHLIGHTS

- The School's net position increased compared to the prior fiscal year.
- For the fiscal year ended June 30, 2022, the School's revenues exceeded expenses by \$475,781. This represents an improvement from the prior year when expenses exceeded revenues by \$97,142.
- Overall, revenues decreased by approximately \$83,000, which represents a 2% decrease from the prior year.
- Overall, expenses decreased by approximately \$656,000, which represents a 13% decrease from the prior year.
- Total assets and deferred outflows were \$6,316,490 and liabilities and deferred inflows were \$4,984,045, resulting in net position of \$1,332,445 as of June 30, 2022.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

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

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

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

### **Government-wide Financial Statements**

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

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

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

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

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

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

### **Fund Financial Statements**

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

The School currently has two types of funds:

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
(continued)**

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

**FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE**

**Net Position**

The School's combined net position as of June 30, 2022 and 2021 is summarized as follows – see table below.

|  | <u>Governmental Activities</u> |                    | <u>Increase</u>   |
|--|--------------------------------|--------------------|-------------------|
|  | <u>2022</u>                    | <u>2021</u>        | <u>(Decrease)</u> |
| Current and other assets               | \$ 1,004,692                   | \$ 761,518         | 32%               |
| Capital assets, net                    | 4,464,379                      | 2,304,308          | 94%               |
| Deferred outflows of resources         | 847,419                        | 924,883            | -8%               |
| Total assets and deferred outflows     | <u>6,316,490</u>               | <u>3,990,709</u>   | <u>58%</u>        |
| Current and other liabilities          | -                              | 158,545            | -100%             |
| Long-term liabilities                  | 3,656,462                      | 2,840,231          | 29%               |
| Deferred inflows of resources          | 1,327,583                      | 135,269            | 881%              |
| Total liabilities and deferred inflows | <u>4,984,045</u>               | <u>3,134,045</u>   | <u>59%</u>        |
| Net position:                          |                                |                    |                   |
| Net investment in capital assets       | 2,037,244                      | 2,158,607          | -6%               |
| Unrestricted                           | <u>(704,799)</u>               | <u>(1,301,943)</u> | <u>46%</u>        |
| Total net position                     | <u>\$ 1,332,445</u>            | <u>\$ 856,664</u>  | <u>56%</u>        |

The School ended its fiscal year with a net position of \$1,332,445 with \$2,037,244 as the net investment in capital assets and (\$704,799) in unrestricted funds representing the accumulated results of prior years' operations. The unrestricted net position represents the amount of discretionary resources that can be used to fund the School's general operations, which includes the implementation of GASB 68. The Company has the resources available to meet all current obligations.

Current and other assets totaled \$1,004,692 most of which represents amounts due from the central administrative office. Since the Company maintains cash deposits on a pooled basis for all of its charter schools, the amount due from the central administrative office represents amounts advanced by the School to the Company for operating costs and represents the

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(continued)

School's share of the pooled cash balance. Additional amounts were advanced during fiscal 2022 as a result of the current year operating surplus at the fund level.

Net capital assets, long-term liabilities, and net investment in capital assets changed due to the increase in capital asset additions and recognition of the related lease liability, net of current year payments, as a result of implementing new lease accounting under GASB 87. The decrease in current and other liabilities is due to the repayment of the short-term loan from Edward W. Bok Academy North. Deferred outflows of resources and deferred inflows of resources relate to the School's participation in the state's pension plans. See Note 7 for additional pension plan information.

**Change in Net Position**

The School's total revenues decreased by 2% to \$4,804,899, and the total cost of all programs and services decreased by 13% to \$4,329,118 – see table below.

|   | <b>Governmental Activities</b> |                    | <b>Increase<br/>(Decrease)</b> |
|---|--------------------------------|--------------------|--------------------------------|
|   | <b>2022</b>                    | <b>2021</b>        |                                |
| <b>Revenues:</b>                        |                                |                    |                                |
| Federal sources                         | \$ 128,424                     | \$ 187,319         | -31%                           |
| State and local sources                 | 4,621,591                      | 4,629,440          | 0%                             |
| Contributions and other revenue         | 54,884                         | 70,786             | -22%                           |
| Total revenues                          | <u>4,804,899</u>               | <u>4,887,545</u>   | <u>-2%</u>                     |
| <b>Expenses:</b>                        |                                |                    |                                |
| Instruction                             | 2,605,831                      | 2,776,565          | -6%                            |
| Student support services                | 25,897                         | 195,037            | -87%                           |
| Instructional media                     | -                              | 623                | -100%                          |
| Instruction and curriculum development  | 101,870                        | 69,420             | 47%                            |
| Instruction-related technology          | 58,712                         | 78,053             | -25%                           |
| Board                                   | 11,000                         | 10,500             | 5%                             |
| General administration                  | 22,230                         | 21,116             | 5%                             |
| School administration                   | 532,028                        | 645,804            | -18%                           |
| Facilities acquisition and construction | 84,804                         | 126,967            | -33%                           |
| Pupil transportation                    | 446,263                        | 397,462            | 12%                            |
| Operation of plant                      | 312,886                        | 663,140            | -53%                           |
| Community services                      | 5,547                          | -                  | 100%                           |
| Interest                                | 122,050                        | -                  | 100%                           |
| Total expenses                          | <u>4,329,118</u>               | <u>4,984,687</u>   | <u>-13%</u>                    |
| Change in net position                  | <u>\$ 475,781</u>              | <u>\$ (97,142)</u> | <u>590%</u>                    |

The School operates primarily on the Florida Education Finance Program (FEFP) funding, state categorical educational funding, and local property taxes (96% of the School's total revenues) to fund governmental activities. The School received approximately 3% of its total revenues in federal Title I and IDEA entitlement revenue to supplement the School's 2022 operations.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

Revenues from federal sources decreased due to a decrease in both Title I and IDEA funding. The remaining portion of the School's revenue (1%) is the result of contributions and program revenue, which decreased primarily due to a decrease in private donations.

Instruction and instruction-related activities represent 65% of the School's expenses, which decreased by 10% during fiscal year 2022, a result of decreased salaries and pension expense for instructional personnel. The general administration expenses reflect the administration fee paid to the School Board based on FEFP revenue. The decrease in school administration is due to a decrease in pension expense. Facilities acquisition and construction decreased as a result of a decrease in allocated depreciation expense. The increase in transportation expenses is the result of an increase in student ridership and maintenance costs. Operation of plant decreased and interest increased as a result of the implementation of GASB 87.

### **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

As the School completed the year, its governmental funds reported a combined fund balance of \$911,078, which is an increase from the prior year. Revenues and expenditures changed overall for the same reasons described above.

#### **General and Special Revenue Fund Budgetary Highlights**

Over the course of the fiscal year, the School amended its budget to address changes in revenues and expenditures. The general fund budget amendments were performed primarily to reflect revised student enrollment and to adjust planned expenditures based on actual resource needs. The special revenue fund budget amendments were performed to adjust the budget allocations to reflect the prior year roll-forward monies for federal awards passed through the Florida Department of Education.

For 2022, actual general fund revenues were approximately \$15,000 above the final budget amounts, which represents a budget variance of less than 1%. Actual general fund expenditures were approximately \$2,136,000 above the final budget, which represents a 49% budget variance. Excluding lease accounting changes implemented in the current year, general fund expenditures were approximately \$381,000 under the final budget, which represents a 9% budget variance.

For 2022, actual special revenue fund revenues and expenditures were approximately \$54,000 below the budgeted amounts. Revenues under the federal grants are recognized to the extent that eligible expenditures have been incurred.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal 2022, the School had invested \$4,464,379 in capital assets, net of accumulated depreciation, consisting primarily of buildings, improvements, computers and other electronic equipment and motor vehicles.



## **MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

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

- Leased building - \$2,517,683

The School's fiscal year 2023 capital budget does not include significant spending related to capital projects. More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

### **Long-term Debt**

As of June 30, 2022, the School had \$2,427,135 in long-term debt outstanding, which increased from the prior year due to the implementation of GASB 87. Scheduled payments reduced the amount outstanding in the current year. More detailed information about the School's long-term liabilities is presented in Note 5 to the financial statements.

### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic indicators were taken into account when adopting the general fund budget for fiscal year 2023:

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

Amounts available for appropriation in the general fund are \$4,555,866, an approximate 5% increase from the final 2022 amount of \$4,358,613. The fiscal year 2023 budget is based on the same student count as the official student membership count funded in 2022.

Budgeted general fund expenditures are expected to decrease to \$4,555,866, or 30%, from the final 2022 amount of \$6,479,754. Excluding lease accounting changes implemented in the current year, budgeted general fund expenditures are expected to increase 15%. The School is allocating resources to enhance academic achievement at all student-learning levels and for anticipated student membership.

If these estimates are realized, the School's general fund balance is expected to remain the same by the close of fiscal 2023.

### **CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

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

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

To the Board of Trustees of Lake Wales Charter Schools, Inc. –  
Edward W. Bok Academy South, a Charter School and Component Unit  
of the District School Board of Polk County, Florida

### **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Edward W. Bok Academy South (the “School”), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Edward W. Bok Academy South as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 1 – 7, the budgetary comparison information on pages 36 – 37 and the pension information on pages 38 – 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022 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.



Orlando, Florida  
October 31, 2022

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF NET POSITION**

**JUNE 30, 2022**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b>ASSETS</b>   |                                    |
| Accounts receivable   | \$ 139,540                         |
| Due from central administrative office                            | 854,214                            |
| Other current assets  | 10,938                             |
| Capital assets, net   | 4,464,379                          |
| Total assets  | 5,469,071                          |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                             |                                    |
| Pension related deferred outflows of resources                    | 847,419                            |
| Total assets and deferred outflows of resources                   | \$ 6,316,490                       |
| <b>LIABILITIES</b>  |                                    |
| Long-term liabilities:  |                                    |
| Due within one year   | \$ 301,116                         |
| Due in more than one year   | 3,355,346                          |
| Total liabilities   | 3,656,462                          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                              |                                    |
| Pension related deferred inflows of resources                     | 1,327,583                          |
| <b>NET POSITION</b>   |                                    |
| Net investment in capital assets                                  | 2,037,244                          |
| Unrestricted  | (704,799)                          |
| Total net position  | 1,332,445                          |
| Total liabilities, deferred inflows of resources and net position | \$ 6,316,490                       |

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2022**

|   | <u>Expenses</u>     | <u>Program Revenues</u>         |   |   | <u>Net (Expense) Revenue and<br/>Changes in Net Position</u> |                       |
|---|---------------------|---------------------------------|---|---|--|-----------------------|
|   |                     | <u>Charges for<br/>Services</u> | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> | <u>Governmental<br/>Activities</u>                           | <u>Total</u>          |
| Governmental activities:                                  |                     |                                 |   |   |  |                       |
| Instruction   | \$ 2,605,831        | \$ -                            | \$ 25,628   | \$ -  | \$ (2,580,203)   | \$ (2,580,203)        |
| Student support services                                  | 25,897              | -                               | 1,033   | -   | (24,864)   | (24,864)              |
| Instruction and curriculum development                    | 101,870             | -                               | 101,763   | -   | (107)  | (107)                 |
| Instruction-related technology                            | 58,712              | -                               | -   | -   | (58,712)   | (58,712)              |
| Board   | 11,000              | -                               | -   | -   | (11,000)   | (11,000)              |
| General administration                                    | 22,230              | -                               | -   | -   | (22,230)   | (22,230)              |
| School administration                                     | 532,028             | -                               | -   | -   | (532,028)  | (532,028)             |
| Facilities acquisition and construction                   | 84,804              | -                               | -   | -   | (84,804)   | (84,804)              |
| Pupil transportation                                      | 446,263             | -                               | -   | -   | (446,263)  | (446,263)             |
| Operation of plant  | 312,886             | -                               | -   | -   | (312,886)  | (312,886)             |
| Community services  | 5,547               | -                               | -   | -   | (5,547)  | (5,547)               |
| Interest  | 122,050             | -                               | -   | -   | (122,050)  | (122,050)             |
| Total primary government                                  | <u>\$ 4,329,118</u> | <u>\$ -</u>                     | <u>\$ 128,424</u>                                 | <u>\$ -</u>                                     | <u>\$ (4,200,694)</u>  | <u>\$ (4,200,694)</u> |
| General revenues:   |                     |                                 |   |   |  |                       |
| State and local sources                                   |                     |                                 |   |   | 4,621,591  | 4,621,591             |
| Contributions and other revenue                           |                     |                                 |   |   | 54,884   | 54,884                |
| Total general revenues                                    |                     |                                 |   |   | <u>4,676,475</u>   | <u>4,676,475</u>      |
| Change in net position                                    |                     |                                 |   |   | 475,781  | 475,781               |
| Net position at beginning of year, as previously reported |                     |                                 |   |   | <u>856,664</u>   | <u>856,664</u>        |
| Net position at end of year                               |                     |                                 |   |   | <u>\$ 1,332,445</u>  | <u>\$ 1,332,445</u>   |

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

**JUNE 30, 2022**

|   | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---|-------------------------|-------------------------------------|--------------------------------------|---|
| <b>ASSETS</b>   |                         |                                     |                                      |   |
| Accounts receivable   | \$ -                    | \$ 19,453                           | \$ 120,087                           | \$ 139,540                              |
| Due from central administrative office                                | 754,872                 | -                                   | 118,795                              | 873,667                                 |
| Other current assets  | 10,938                  | -                                   | -                                    | 10,938                                  |
| Total assets  | <b>\$ 765,810</b>       | <b>\$ 19,453</b>                    | <b>\$ 238,882</b>                    | <b>\$ 1,024,145</b>                     |
| <br><b>LIABILITIES</b>  |                         |                                     |                                      |   |
| Due to central administrative office                                  | \$ -                    | \$ 19,453                           | \$ -                                 | \$ 19,453                               |
| Total liabilities   | -                       | 19,453                              | -                                    | 19,453                                  |
| <br><b>DEFERRED INFLOWS OF RESOURCES</b>                              |                         |                                     |                                      |   |
| Unavailable revenue on long-term<br>receivables                       | -                       | -                                   | 93,614                               | 93,614                                  |
| <br><b>FUND BALANCES</b>  |                         |                                     |                                      |   |
| Nonspendable:   |                         |                                     |                                      |   |
| Other current assets  | 10,938                  | -                                   | -                                    | 10,938                                  |
| Unassigned  | 754,872                 | -                                   | 145,268                              | 900,140                                 |
| Total fund balances   | 765,810                 | -                                   | 145,268                              | 911,078                                 |
| Total liabilities, deferred inflows of<br>resources and fund balances | <b>\$ 765,810</b>       | <b>\$ 19,453</b>                    | <b>\$ 238,882</b>                    | <b>\$ 1,024,145</b>                     |

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

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

**JUNE 30, 2022**

**Total fund balances - total governmental funds** \$ 911,078

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

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$6,106,682, and the accumulated depreciation is \$1,642,303. 4,464,379

Amounts accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. (64,271)

The following pension related balances do not use current resources or are not due and payable in the current period and, therefore, are not reported in the governmental funds:

|  |             |
|--|-------------|
| Pension related deferred outflows of resources | 847,419     |
| Net pension liability                          | (1,165,056) |
| Pension related deferred inflows of resources  | (1,327,583) |

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

|                   |                    |
|-------------------|--------------------|
| Lease liabilities | <u>(2,427,135)</u> |
|-------------------|--------------------|

**Total net position - governmental activities** \$ 1,332,445

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



**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED JUNE 30, 2022**

|  | <b>General<br/>Fund</b> | <b>Special<br/>Revenue<br/>Fund</b> | <b>Capital<br/>Projects<br/>Fund</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|-------------------------|-------------------------------------|--------------------------------------|---|
| <b>REVENUES</b>                                      |                         |                                     |                                      |   |
| Federal sources                                      | \$ -                    | \$ 128,424                          | \$ -                                 | \$ 128,424                              |
| State and local sources                              | 4,303,729               | -                                   | 317,862                              | 4,621,591                               |
| Contributions and other revenue                      | 54,884                  | -                                   | 152,664                              | 207,548                                 |
| Total revenues                                       | 4,358,613               | 128,424                             | 470,526                              | 4,957,563                               |
| <b>EXPENDITURES</b>                                  |                         |                                     |                                      |   |
| Current:   |                         |                                     |                                      |   |
| Instruction  | 2,405,794               | 25,628                              | -                                    | 2,431,422                               |
| Student support services                             | 25,160                  | 1,033                               | -                                    | 26,193                                  |
| Instruction and curriculum development               | -                       | 101,763                             | -                                    | 101,763                                 |
| Instruction-related technology                       | 47,255                  | -                                   | -                                    | 47,255                                  |
| Board  | 11,000                  | -                                   | -                                    | 11,000                                  |
| General administration                               | 22,230                  | -                                   | -                                    | 22,230                                  |
| School administration                                | 592,532                 | -                                   | -                                    | 592,532                                 |
| Facilities acquisition and construction              | 2,537,776               | -                                   | -                                    | 2,537,776                               |
| Pupil transportation                                 | 446,263                 | -                                   | -                                    | 446,263                                 |
| Operation of plant                                   | 257,864                 | -                                   | 30,685                               | 288,549                                 |
| Community services                                   | 5,547                   | -                                   | -                                    | 5,547                                   |
| Debt service:  |                         |                                     |                                      |   |
| Principal  | 33,465                  | -                                   | 202,784                              | 236,249                                 |
| Interest   | 42,834                  | -                                   | 79,216                               | 122,050                                 |
| Capital outlay                                       | 52,034                  | -                                   | -                                    | 52,034                                  |
| Total expenditures                                   | 6,479,754               | 128,424                             | 312,685                              | 6,920,863                               |
| Excess (deficiency) of revenues<br>over expenditures | (2,121,141)             | -                                   | 157,841                              | (1,963,300)                             |
| <b>OTHER FINANCING SOURCES</b>                       |                         |                                     |                                      |   |
| Proceeds from capital lease                          | 2,517,683               | -                                   | -                                    | 2,517,683                               |
| Total other financing sources                        | 2,517,683               | -                                   | -                                    | 2,517,683                               |
| Net changes in fund balances                         | 396,542                 | -                                   | 157,841                              | 554,383                                 |
| Fund balances (deficit) at beginning of year         | 369,268                 | -                                   | (12,573)                             | 356,695                                 |
| Fund balances at end of year                         | \$ 765,810              | \$ -                                | \$ 145,268                           | \$ 911,078                              |

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED JUNE 30, 2022**

**Net changes in fund balances - total governmental funds** \$ 554,383

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

Receivables not expected to be received within 60 days of fiscal year end are not considered "available" revenue in the governmental funds and, therefore, are reported as deferred inflows. In the statement of net position, which is presented on the accrual basis, no deferral is reported since the revenue has already been fully recognized in the statement of activities. (152,664)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,588,610) exceed depreciation expense (\$425,639) in the current period. 2,162,971

The gain on the disposal of capital assets is reported in the statement of activities, whereas nothing is reported in the governmental funds as there were no proceeds. (2,900)

Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. 66,984

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. 128,441

Lease proceeds provide current financial resources to governmental funds, but new leases increase long-term liabilities in the statement of net position. (2,517,683)

Principal payments on the lease liabilities are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. 236,249

**Change in net position of governmental activities** \$ 475,781

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2022**

|  | <b>Custodial<br/>Fund</b> |
|--|---------------------------|
| <b>ASSETS</b>                          |                           |
| Due from central administrative office | \$ 38,413                 |
| Total assets                           | <u>\$ 38,413</u>          |
| <b>NET POSITION</b>                    |                           |
| Restricted for:                        |                           |
| Student activities                     | \$ 38,413                 |
| Total net position                     | <u>\$ 38,413</u>          |

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

**FOR THE YEAR ENDED JUNE 30, 2022**

|                                    | <b>Custodial<br/>Fund</b> |
|------------------------------------|---------------------------|
| <b>ADDITIONS</b>                   |                           |
| Collections for student activities | \$ 174,573                |
| Total additions                    | 174,573                   |
| <b>DEDUCTIONS</b>                  |                           |
| Payments for student activities    | 135,848                   |
| Total deductions                   | 135,848                   |
| Change in net position             | 38,725                    |
| Net position at beginning of year  | (312)                     |
| Net position at end of year        | \$ 38,413                 |

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED JUNE 30, 2022**

**1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

Lake Wales Charter Schools, Inc. (the “Company”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.33, Florida Statutes. Edward W. Bok Academy South (the “School”), previously known as Edward W. Bok Academy, operates as part of the Company with six other charter schools in the Lake Wales, Florida area. The governing body of the School is the not-for-profit corporation Board of Trustees, which is composed of no less than three and no more than nine members. The School commenced formal operations on July 1, 2008. Effective July 1, 2011, the Company became its own local educational agency (“LEA”).

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Polk County, Florida (the “School Board”). The current charter is effective until June 30, 2027 and may be renewed by mutual written agreement between the School and the School Board. At the end of the term of the charter, the School Board may choose not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the School Board may also terminate the charter if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds, except capital outlay funds, revert back to the School Board. 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 School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board (“GASB”) accounting guidance; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

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

**Basis of Presentation**

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

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

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

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

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

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund balance, revenues, expenditures, and other financing sources and uses. Resources are allocated to and accounted for in individual funds based on the purposes for which they are to be spent and the means by which spending activities are controlled. The funds in the financial statements of this report are as follows:

Governmental Funds:

General Fund – To account for all financial resources not required to be accounted for in another fund.

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Capital Projects Fund – To account for all resources for the acquisition of capital items by the School purchased with capital outlay funds and private foundation funds for building construction.

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

Fiduciary Fund:

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

### **Basis of Accounting**

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

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

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

### **Budgetary Basis Accounting**

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Deposits and Investments**

During the year ended June 30, 2022, the Company maintained cash deposits on a pooled basis for all of its charter schools. Cash deposits are held by banks qualified as public depositories under Florida law. All deposits held by qualified public depositories are insured by federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool under Chapter 280, Florida Statutes. The Company's cash consists primarily of demand deposits with financial institutions.

**Accounts Receivable**

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

**Capital Assets and Depreciation**

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

|                                   | <u>Years</u> |
|-----------------------------------|--------------|
| Improvements other than buildings | 5 - 10       |
| Buildings and fixed equipment     | 7 - 30       |
| Furniture, fixtures and equipment | 3 - 5        |
| Motor vehicles                    | 3 - 7        |
| Computer software                 | 3            |

Information relative to changes in capital assets is described in Note 3.

**Compensated Absences**

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as expenditures in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as expenses when earned by the employees. The liability for compensated absences is classified as a long-term liability that is due within one year in the government-wide financial statements because the amount of vacation and sick time to be used after the following year cannot be reasonably estimated. Information relative to changes in long-term liabilities is described in Note 5.



**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**Long-term Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the governmental funds are reported in the government-wide financial statements, not in the governmental funds. Information relative to changes in long-term liabilities is described in Note 5.

**Fund Balance Spending Policy**

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

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

**Revenue Sources**

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

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

The School is also 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 expended amounts are reflected as restricted net position and restricted fund balance in the accompanying financial statements.

**Income Taxes**

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

**Use of Estimates**

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

**Subsequent Events**

The School has evaluated subsequent events through October 31, 2022, the date these financial statements were available to be issued.

**Recently Issued Accounting Pronouncement**

In June 2017, the GASB issued Statement No. 87, *Leases*, which requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this guidance, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, thereby enhancing the relevance and consistency of information about a school's leasing activities. The School adopted the standard on July 1, 2021 on a prospective basis. Upon adoption of the standard, \$2,517,683 in leased building and lease liability was recorded in the statement of net position. In addition, \$2,517,683 was recorded as other financing sources and capital outlay expenditures in the statement of revenues, expenditures and changes in fund balances – governmental funds. There was no effect on the School's beginning net position and fund balance.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**2 ACCOUNTS RECEIVABLE**

Accounts receivable included in the accompanying financial statements include \$139,540 in funds receivable from the Lake Wales Charter Schools Foundation and from federal and state agencies under various grants, which are detailed as follows:

|   |    |                       |
|---|----|-----------------------|
| Lake Wales Charter Schools Foundation             | \$ | 93,614                |
| Charter School Capital Outlay                     |    | 26,473                |
| Title I Grants to Local Educational Agencies      |    | 12,816                |
| Special Education-Grants to States (IDEA, Part B) |    | <u>6,637</u>          |
| Total   | \$ | <u><u>139,540</u></u> |

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

**3 CHANGES IN CAPITAL ASSETS**

Capital asset activity during 2022 was as follows:

|   | <b>Beginning<br/>Balance</b> | <b>Increases</b>           | <b>Decreases</b>         | <b>Ending<br/>Balance</b>  |
|---|------------------------------|----------------------------|--------------------------|----------------------------|
| <b>Governmental activities:</b>             |                              |                            |                          |                            |
| Improvements other than buildings           | \$ 42,911                    | \$ 39,221                  | \$ (2,900)               | \$ 79,232                  |
| Buildings and fixed equipment               | 2,494,783                    | 2,536,576                  | -                        | 5,031,359                  |
| Furniture, fixtures and equipment           | 917,130                      | 12,813                     | (252,027)                | 677,916                    |
| Motor vehicles                              | 260,428                      | -                          | (11,042)                 | 249,386                    |
| Computer software                           | 68,789                       | -                          | -                        | 68,789                     |
| Total capital assets                        | <u>3,784,041</u>             | <u>2,588,610</u>           | <u>(265,969)</u>         | <u>6,106,682</u>           |
| <b>Less accumulated depreciation for:</b>   |                              |                            |                          |                            |
| Improvements other than buildings           | (36,433)                     | (5,860)                    | -                        | (42,293)                   |
| Buildings and fixed equipment               | (407,851)                    | (326,666)                  | -                        | (734,517)                  |
| Furniture, fixtures and equipment           | (706,232)                    | (93,113)                   | 252,027                  | (547,318)                  |
| Motor vehicles                              | (260,428)                    | -                          | 11,042                   | (249,386)                  |
| Computer software                           | (68,789)                     | -                          | -                        | (68,789)                   |
| Total accumulated depreciation              | <u>(1,479,733)</u>           | <u>(425,639)</u>           | <u>263,069</u>           | <u>(1,642,303)</u>         |
| Governmental activities capital assets, net | <u><u>\$ 2,304,308</u></u>   | <u><u>\$ 2,162,971</u></u> | <u><u>\$ (2,900)</u></u> | <u><u>\$ 4,464,379</u></u> |

Certain reclassifications were made in the beginning 2021 amounts to conform to their classifications in 2022.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

Depreciation expense was charged to functions as follows:

|  |                   |
|--|-------------------|
| Governmental activities:                           |                   |
| Instruction  | \$ 277,106        |
| Instruction-related technology                     | 11,457            |
| School administration                              | 32,208            |
| Facilities acquisition and construction            | 83,604            |
| Operation of plant                                 | <u>21,264</u>     |
| Total governmental activities depreciation expense | <u>\$ 425,639</u> |

**4 COMMITMENTS AND CONTINGENT LIABILITIES**

**Grants**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable as of June 30, 2022 may be impaired. In the opinion of the School, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

**Legal Matters**

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

**Risk Management Program**

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverages are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**Contingency**

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**5 LONG-TERM LIABILITIES**

Long-term liabilities activity during 2022 was as follows:

|   | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u>      | <u>Ending<br/>Balance</u> | <u>Due Within<br/>One Year</u> |
|---|------------------------------|--------------------|-----------------------|---------------------------|--------------------------------|
| Governmental activities:                          |                              |                    |                       |                           |                                |
| Compensated absences                              | \$ 131,255                   | \$ -               | \$ (66,984)           | \$ 64,271                 | \$ 64,271                      |
| Lease liabilities                                 | 145,701                      | 2,517,683          | (236,249)             | 2,427,135                 | 236,845                        |
| Net pension liability                             | 2,563,275                    | -                  | (1,398,219)           | 1,165,056                 | -                              |
| Governmental activities,<br>long-term liabilities | <u>\$ 2,840,231</u>          | <u>\$2,517,683</u> | <u>\$ (1,701,452)</u> | <u>\$ 3,656,462</u>       | <u>\$ 301,116</u>              |

**Lease Liabilities**

Title to the original school building and facilities remains with the Company. The School has entered into an agreement with the Company for use of the school building and facilities. The payments due under the agreement are approximately equal to the debt service payments due on the mortgage, which is the obligation of the Company. The agreement will terminate on June 30, 2033, unless the Company fully satisfies the outstanding mortgage on the premises before the termination date. The lease requires monthly payments of \$23,500 through June 2033. The discount rate used for this lease is 5.25%.

The School leases computer equipment under a lease agreement that requires annual principal and interest payments of approximately \$76,000 through September 2022. The discount rate used for this lease is 3.44%.

Leased assets as of June 30, 2022 consist of the following:

|                                   | <u>Governmental<br/>Activities</u> |
|-----------------------------------|------------------------------------|
| Buildings                         | \$ 2,517,683                       |
| Furniture, fixtures and equipment | 222,000                            |
| Less accumulated depreciation     | <u>(289,880)</u>                   |
|                                   | <u>\$ 2,449,803</u>                |

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

| <u>Year Ended June 30,</u> | <u>Principal</u>    | <u>Interest</u>   | <u>Total</u>        |
|----------------------------|---------------------|-------------------|---------------------|
| 2023                       | \$ 236,845          | \$ 121,454        | \$ 358,299          |
| 2024                       | 171,088             | 110,912           | 282,000             |
| 2025                       | 180,289             | 101,711           | 282,000             |
| 2026                       | 189,985             | 92,015            | 282,000             |
| 2027                       | 200,203             | 81,797            | 282,000             |
| 2028 - 2032                | 1,174,583           | 235,417           | 1,410,000           |
| 2033                       | 274,142             | 7,858             | 282,000             |
|                            | <u>\$ 2,427,135</u> | <u>\$ 751,164</u> | <u>\$ 3,178,299</u> |

**6 PENSION PLANS**

**Pension Plan Descriptions**

The Florida Department of Management Services, Division of Retirement (“Division”), is part of the primary government of the State of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (“System”). The School participates in two defined benefit plans administered by the Division. The Division issued a publicly-available, audited annual comprehensive financial report (“ACFR”) on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the ACFR, which is available online or by contacting the Division.

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

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The Retiree Health Insurance Subsidy (“HIS”) Program is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2021, eligible retirees and beneficiaries received a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which may include Medicare.

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

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

Contribution rates were as follows:

| <u>Class or Plan</u>                          | <u>Percent of Gross Salary</u> |                     |
|---|--------------------------------|---------------------|
|   | <u>Employee</u>                | <u>Employer (A)</u> |
| Florida Retirement System, Regular            | 3%                             | 10.82%              |
| Florida Retirement System, Reemployed Retiree | (B)                            | (B)                 |

(A) Employer rates include 1.66% for the Retiree Health Insurance Subsidy and 0.06% for administration of the Florida Retirement System Investment Plan and provision of educational tools for both plans, and any applicable unfunded actuarial liability rates.

(B) Contribution rates are dependent upon the retirement class in which reemployed.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

Assumptions and Other Inputs

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

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.16% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table.

The following changes in actuarial assumptions occurred in 2021:

- FRS: Decreasing the maximum amortization period to 20 years for all current and future amortization bases.
- HIS: The municipal bond rate used to determine total pension liability was decreased from 2.21% to 2.16%.



**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability if the discount rate was 1% lower or 1% higher than the current discount rate as of June 30, 2021:

| <b>School's Proportionate Share of FRS Net Pension Liability</b> |                              |                    | <b>School's Proportionate Share of HIS Net Pension Liability</b> |                              |                    |
|--|------------------------------|--------------------|--|------------------------------|--------------------|
| <b>1% Decrease</b>   | <b>Current Discount Rate</b> | <b>1% Increase</b> | <b>1% Decrease</b>   | <b>Current Discount Rate</b> | <b>1% Increase</b> |
| 5.80%  | 6.80%                        | 7.80%              | 1.16%  | 2.16%                        | 3.16%              |
| \$ 1,571,426   | \$ 351,387                   | \$ (668,429)       | \$ 940,680   | \$ 813,669                   | \$ 709,612         |

The Pension Plans' Fiduciary Net Positions

Detailed information about the pension plans' fiduciary net positions are available in the System's separately issued ACFR. The components of the collective net pension liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2021, are shown below (in thousands):

|  | <b>FRS</b>          | <b>HIS</b>           |
|--|---------------------|----------------------|
| Total pension liability  | \$ 209,636,046      | \$ 12,719,121        |
| Plan fiduciary net position  | (202,082,183)       | (452,618)            |
| Net pension liability  | <u>\$ 7,553,863</u> | <u>\$ 12,266,503</u> |
| Plan fiduciary net position as a percentage of the total pension liability | 96.40%              | 3.56%                |

The total pension liability for the FRS Pension Plan was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2021. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. Update procedures were not used.

The total pension liability for the HIS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2021. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

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

As of June 30, 2022, the School reported a liability of \$1,165,056 for its proportionate share of the net pension liabilities. The School's proportionate share was calculated using accrued retirement contributions related to the reporting periods included in the System's fiscal years ended June 30, 2013 through June 30, 2021, for employers that were members of the FRS and HIS during those fiscal years. The proportion calculated based on contributions for each of the fiscal years was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine the School's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

The School's proportions are as follows:

|               | <b>FRS</b> | <b>HIS</b> |
|---------------|------------|------------|
| June 30, 2021 | 0.0047%    | 0.0066%    |
| June 30, 2020 | 0.0040%    | 0.0066%    |
| Change        | 0.0007%    | 0.0000%    |

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

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

Employer contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense. The average expected remaining service life of all employees provided with pensions through the pension plans as of June 30, 2021, was 5.7 years for FRS and 6.4 years for HIS.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

For the year ended June 30, 2022, the School recognized pension expense of \$98,926. As of June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>Inflows of<br/>Resources</u> |
|---|---|--|
| Differences between expected and actual experience  | \$ 87,455                                     | \$ 341                                       |
| Changes of assumptions  | 304,372                                       | 33,525                                       |
| Net difference between projected and actual earnings on pension plan investments                            | 848   | 1,225,901                                    |
| Changes in proportion and differences between School contributions and proportionate share of contributions | 225,508                                       | 67,816                                       |
| School contributions subsequent to the measurement date   | <u>229,236</u>                                | <u>-</u>                                     |
| Total   | <u>\$ 847,419</u>                             | <u>\$ 1,327,583</u>                          |

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

| <u>Reporting Period Ended<br/>June 30:</u> | <u>Amount</u> |
|--|---------------|
| 2023                                       | \$ (118,274)  |
| 2024                                       | (153,595)     |
| 2025                                       | (199,101)     |
| 2026                                       | (254,576)     |
| 2027                                       | 13,747        |
| Thereafter                                 | 2,399         |

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

**7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES**

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

|  |                            |
|--|----------------------------|
| District School Board of Polk County, Florida: |                            |
| Florida Education Finance Program              | \$ 2,543,234               |
| Class size reduction                           | 537,507                    |
| Capital outlay                                 | 317,862                    |
| ESE guaranteed allocation                      | 262,265                    |
| Discretionary millage                          | 181,018                    |
| Discretionary local effort                     | 172,392                    |
| Transportation                                 | 171,532                    |
| Supplemental academic instruction              | 151,341                    |
| Teacher salary increase allocation             | 84,996                     |
| Instructional materials                        | 50,744                     |
| Additional allocation                          | 32,055                     |
| Safe schools                                   | 31,434                     |
| Funds compression allocation                   | 28,260                     |
| Mental health assistance allocation            | 23,667                     |
| Reading allocation                             | 22,524                     |
| Teacher lead                                   | 10,080                     |
| Digital classroom allocation                   | 680                        |
| Total  | <u><u>\$ 4,621,591</u></u> |

The administration fee paid to the School Board during 2022 totaled approximately \$22,000, which is reflected as a general administration expense/expenditure in the accompanying financial statements.

**8 RELATED PARTY TRANSACTIONS**

During fiscal 2021, the School received a loan in the amount of \$158,545 from Edward W. Bok Academy North. The loan was repaid during fiscal 2022.

As previously noted, the Company maintained cash deposits on a pooled basis for all of its charter schools during the fiscal year ended June 30, 2022. The amount due from the central administrative office in the accompanying financial statements represents the School's share of the pooled cash balance. The net balance of \$854,214 primarily includes amounts advanced by the School to the Company for operating costs. The balance is also net of payroll liabilities (taxes, insurance, retirement, etc.) to be paid by the Company on behalf of the School. Due to centralized cash management and the timing of the payroll accrual near year-end, the amount due from the central administrative office may represent a significant portion of total assets as of June 30, 2022.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**NOTES TO FINANCIAL STATEMENTS  
(continued)**

In addition, the Company provides certain management and administrative services to the School. Expenses for these services are generally allocated to each charter school operated by the Company based on the relative number of students, but can be increased or decreased at the discretion of the Company. For the year ended June 30, 2022, the School's share of these expenses totaled \$151,924, which is reflected as a school administration expense/expenditure in the accompanying financial statements.

The Company also provides transportation services for the School in exchange for the transportation revenue generated by the School based on its full-time equivalent student count. Amounts paid to the Company for transportation services during fiscal 2022 totaled \$446,106.

During fiscal 2022, the School received \$39,216 in donations from the Lake Wales Charter Schools Foundation to assist in the payment of various operating expenses. These amounts are included in contributions and other revenue in the accompanying financial statements. In addition, as of June 30, 2022, accounts receivable includes \$93,614 due from the Lake Wales Charter Schools Foundation related to the classroom building construction from prior years.

During fiscal 2022, the Company operated and managed all of its charter schools as one collective unit, although each charter school is considered a separate reporting entity. As one legal entity, the Company has the option to transfer funds between schools as it deems necessary. For the year ended June 30, 2022, no transfers between schools occurred.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

**FOR THE YEAR ENDED JUNE 30, 2022**

|  | <u>Budgeted Amounts</u> |                   | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Variance with<br/>Final Budget-<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|-------------------|---|--|
|  | <u>Original</u>         | <u>Final</u>      |   |  |
| <b>REVENUES</b>                                      |                         |                   |   |  |
| State and local sources                              | \$ 4,387,897            | \$ 4,233,028      | \$ 4,303,729                            | \$ 70,701  |
| Contributions and other revenue                      | 25,000                  | 110,489           | 54,884                                  | (55,605)   |
| Total revenues                                       | <u>4,412,897</u>        | <u>4,343,517</u>  | <u>4,358,613</u>                        | <u>15,096</u>  |
| <b>EXPENDITURES</b>                                  |                         |                   |   |  |
| Current:   |                         |                   |   |  |
| Instruction  | 2,569,609               | 2,614,221         | 2,405,794                               | 208,427  |
| Student support services                             | 140,182                 | 31,618            | 25,160                                  | 6,458  |
| Instruction-related technology                       | 45,510                  | 55,015            | 47,255                                  | 7,760  |
| Board  | 10,500                  | 10,500            | 11,000                                  | (500)  |
| General administration                               | 24,141                  | 23,512            | 22,230                                  | 1,282  |
| School administration                                | 816,426                 | 823,558           | 592,532                                 | 231,026  |
| Facilities acquisition and construction              | -                       | -                 | 2,537,776                               | (2,537,776)  |
| Pupil transportation                                 | 461,847                 | 445,218           | 446,263                                 | (1,045)  |
| Operation of plant                                   | 344,682                 | 318,478           | 257,864                                 | 60,614   |
| Community services                                   | -                       | 9,040             | 5,547                                   | 3,493  |
| Debt service:  |                         |                   |   |  |
| Principal  | -                       | -                 | 33,465                                  | (33,465)   |
| Interest   | -                       | -                 | 42,834                                  | (42,834)   |
| Capital outlay                                       | -                       | 12,357            | 52,034                                  | (39,677)   |
| Total expenditures                                   | <u>4,412,897</u>        | <u>4,343,517</u>  | <u>6,479,754</u>                        | <u>(2,136,237)</u>   |
| Excess (deficiency) of revenues<br>over expenditures | <u>-</u>                | <u>-</u>          | <u>(2,121,141)</u>                      | <u>(2,121,141)</u>   |
| <b>OTHER FINANCING SOURCES</b>                       |                         |                   |   |  |
| Proceeds from capital lease                          | -                       | -                 | 2,517,683                               | 2,517,683  |
| Total other financing sources                        | <u>-</u>                | <u>-</u>          | <u>2,517,683</u>                        | <u>2,517,683</u>   |
| Net changes in fund balance                          | -                       | -                 | 396,542                                 | 396,542  |
| Fund balance at beginning of year                    | <u>369,268</u>          | <u>369,268</u>    | <u>369,268</u>                          | <u>-</u>   |
| Fund balance at end of year                          | <u>\$ 369,268</u>       | <u>\$ 369,268</u> | <u>\$ 765,810</u>                       | <u>\$ 396,542</u>  |

See independent auditor's report.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND**

**FOR THE YEAR ENDED JUNE 30, 2022**

|  | <u>Budgeted Amounts</u> |                | <u>Actual<br/>(Budgetary<br/>Basis)</u> | <u>Variance with<br/>Final Budget-<br/>Positive<br/>(Negative)</u> |
|--|-------------------------|----------------|---|--|
|  | <u>Original</u>         | <u>Final</u>   |   |  |
| <b>REVENUES</b>                        |                         |                |   |  |
| Federal sources                        | \$ 178,850              | \$ 182,175     | \$ 128,424                              | \$ (53,751)  |
| Total revenues                         | <u>178,850</u>          | <u>182,175</u> | <u>128,424</u>                          | <u>(53,751)</u>  |
| <b>EXPENDITURES</b>                    |                         |                |   |  |
| Current:                               |                         |                |   |  |
| Instruction                            | 178,850                 | 182,175        | 25,628                                  | 156,547  |
| Student support services               | -                       | -              | 1,033                                   | (1,033)  |
| Instruction and curriculum development | -                       | -              | 101,763                                 | (101,763)  |
| Total expenditures                     | <u>178,850</u>          | <u>182,175</u> | <u>128,424</u>                          | <u>53,751</u>  |
| Net changes in fund balance            | -                       | -              | -                                       | -  |
| Fund balance at beginning of year      | -                       | -              | -                                       | -  |
| Fund balance at end of year            | <u>\$ -</u>             | <u>\$ -</u>    | <u>\$ -</u>                             | <u>\$ -</u>  |

See independent auditor's report.

**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

|   | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013 | 2012 |
|---|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------|------|
| Florida Retirement System (FRS) Pension Plan  |              |              |              |              |              |              |              |              |      |      |
| School's proportion of the net pension liability (asset)  | 0.0047%      | 0.0040%      | 0.0043%      | 0.0039%      | 0.0040%      | 0.0040%      | 0.0041%      | 0.0037%      |      |      |
| School's proportionate share of the net pension liability (asset)   | \$ 351,387   | \$ 1,752,714 | \$ 1,480,534 | \$ 1,179,379 | \$ 1,173,197 | \$ 1,014,141 | \$ 532,846   | \$ 223,890   |      |      |
| School's covered-employee payroll   | \$ 2,348,336 | \$ 2,304,078 | \$ 2,282,334 | \$ 2,114,822 | \$ 2,086,456 | \$ 2,027,309 | \$ 1,947,059 | \$ 1,739,259 |      |      |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 15%          | 76%          | 65%          | 56%          | 56%          | 50%          | 27%          | 13%          |      |      |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                                | 96%          | 79%          | 83%          | 84%          | 84%          | 85%          | 92%          | 96%          |      |      |
| Retiree Health Insurance Subsidy (HIS) Program  |              |              |              |              |              |              |              |              |      |      |
| School's proportion of the net pension liability (asset)  | 0.0066%      | 0.0066%      | 0.0068%      | 0.0065%      | 0.0065%      | 0.0066%      | 0.0062%      | 0.0058%      |      |      |
| School's proportionate share of the net pension liability (asset)   | \$ 813,669   | \$ 810,561   | \$ 763,576   | \$ 685,415   | \$ 699,270   | \$ 766,466   | \$ 632,669   | \$ 546,740   |      |      |
| School's covered-employee payroll   | \$ 2,348,336 | \$ 2,304,078 | \$ 2,282,334 | \$ 2,114,822 | \$ 2,086,456 | \$ 2,027,309 | \$ 1,947,059 | \$ 1,739,259 |      |      |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 35%          | 35%          | 33%          | 32%          | 34%          | 38%          | 32%          | 31%          |      |      |
| Plan fiduciary net position as a percentage of the total pension liability (asset)                                | 4%           | 3%           | 3%           | 2%           | 2%           | 1%           | 1%           | 1%           |      |      |

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

See independent auditor's report.



**LAKE WALES CHARTER SCHOOLS, INC.  
EDWARD W. BOK ACADEMY SOUTH  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE DISTRICT SCHOOL BOARD OF POLK COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CONTRIBUTIONS - PENSION PLANS  
LAST 10 FISCAL YEARS ENDING JUNE 30**

|  | 2022         | 2021         | 2020         | 2019         | 2018         | 2017         | 2016         | 2015         | 2014         | 2013        |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|
| Florida Retirement System (FRS) Pension Plan                         |              |              |              |              |              |              |              |              |              |             |
| Contractually required contribution                                  | \$ 191,027   | \$ 177,212   | \$ 134,363   | \$ 133,302   | \$ 111,590   | \$ 103,252   | \$ 97,946    | \$ 100,579   | \$ 80,377    |             |
| Contributions in relation to the contractually required contribution | 191,027      | 177,212      | 134,363      | 133,302      | 111,590      | 103,252      | 97,946       | 100,579      | 80,377       |             |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u> |
| School's covered-employee payroll                                    | \$ 2,307,110 | \$ 2,348,336 | \$ 2,304,078 | \$ 2,282,334 | \$ 2,114,822 | \$ 2,086,456 | \$ 2,027,309 | \$ 1,947,059 | \$ 1,739,259 |             |
| Contributions as a percentage of covered-employee payroll            | 8%           | 8%           | 6%           | 6%           | 5%           | 5%           | 5%           | 5%           | 5%           |             |
| Retiree Health Insurance Subsidy (HIS) Program                       |              |              |              |              |              |              |              |              |              |             |
| Contractually required contribution                                  | \$ 38,209    | \$ 38,990    | \$ 38,255    | \$ 37,895    | \$ 35,119    | \$ 34,611    | \$ 33,709    | \$ 23,714    | \$ 20,031    |             |
| Contributions in relation to the contractually required contribution | 38,209       | 38,990       | 38,255       | 37,895       | 35,119       | 34,611       | 33,709       | 23,714       | 20,031       |             |
| Contribution deficiency (excess)                                     | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u> |
| School's covered-employee payroll                                    | \$ 2,307,110 | \$ 2,348,336 | \$ 2,304,078 | \$ 2,282,334 | \$ 2,114,822 | \$ 2,086,456 | \$ 2,027,309 | \$ 1,947,059 | \$ 1,739,259 |             |
| Contributions as a percentage of covered-employee payroll            | 2%           | 2%           | 2%           | 2%           | 2%           | 2%           | 2%           | 1%           | 1%           |             |

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

See independent auditor's report.

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

To the Board of Trustees of Lake Wales Charter Schools, Inc. –  
Edward W. Bok Academy South, a Charter School and Component Unit  
of the District School Board of Polk County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Edward W. Bok Academy South (the “School”), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2022, 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 31, 2022.

**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. 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 or significant deficiencies may exist that were not identified.



## **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 statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **PURPOSE OF THIS REPORT**

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

*BKHM, P.A.*

Orlando, Florida  
October 31, 2022

**ADDITIONAL INFORMATION REQUIRED BY  
RULES OF THE AUDITOR GENERAL, CHAPTER 10.850**

To the Board of Trustees of Lake Wales Charter Schools, Inc. –  
Edward W. Bok Academy South, a Charter School and Component Unit  
of the District School Board of Polk County, Florida

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lake Wales Charter Schools, Inc. – Edward W. Bok Academy South (the “School”), a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2022, and have issued our report thereon dated October 31, 2022.

## **AUDITOR’S RESPONSIBILITY**

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

## **OTHER REPORTING REQUIREMENTS**

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated October 31, 2022, should be considered in conjunction with this management letter.

## **PRIOR AUDIT FINDINGS**

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

## **OFFICIAL TITLE**

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is Lake Wales Charter Schools, Inc. – Edward W. Bok Academy South, and the school code assigned by the Florida Department of Education is 1601.

## **FINANCIAL CONDITION AND MANAGEMENT**

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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. The financial condition assessment was done as of the fiscal year-end.

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

### **TRANSPARENCY**

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

### **ADDITIONAL MATTERS**

Section 10.854(1)(e)4., Rules of the Auditor General, requires us to communicate 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 warrants the attention of those charged with governance. In connection with our audit, we did not note any such findings.

### **PURPOSE OF THIS LETTER**

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

*BKHM, P.A.*

Orlando, Florida  
October 31, 2022