



Royal Palm Charter School, Inc.
(A charter school and Component Unit
of the School Board of Brevard County, Florida)
WL# 6509

Palm Bay, Florida

Financial Statements and
Independent Auditors' Report
June 30, 2023

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Royal Palm Charter School, Inc.
WL# 6509

7135 South Babcock Street, S.E.
Palm Bay, Florida 32909

2022-2023

BOARD OF DIRECTORS

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Erik Brown, Vice President
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SCHOOL ADMINISTRATION

Shannon Sviben, Principal



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Royal Palm Charter School, Inc.
Palm Bay, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Royal Palm Charter School, Inc. (the “School”), is a component unit of the District School Board of Brevard County, as of, and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements 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 Royal Palm Charter School, Inc. as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) 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 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Royal Palm Charter School, Inc.’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.

Auditors' 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 and budgetary comparison information on pages 5 through 9 and 27 through 28 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2023 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 17, 2023

Management’s Discussion and Analysis
Royal Palm Charter School, Inc.
(A Component Unit of the School Board of Brevard County, Florida)
June 30, 2023

The corporate officers of Royal Palm Charter School, Inc. have prepared this narrative overview and analysis of the School’s financial activities for the fiscal year ended June 30, 2023.

Financial Highlights

1. The net position of the School as of June 30, 2023 was \$1,641,363.
2. At year-end, the School had current assets on hand of \$1,290,340.
3. The School had an increase in its net position of \$179,663 for the year ended June 30, 2023.
4. The unassigned fund balance at year end was \$891,731.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School’s basic financial statements. The School’s financial statements for the year ended June 30, 2023 are presented in accordance with GASB Codification Section 2200. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School’s finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School’s assets, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between the four is reported as *net position*. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School’s net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 10-11 of this report.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School like other state and local governments uses fund accounting to ensure and report compliance with finance-related legal requirements.

All of the funds of the School are governmental funds. *Governmental Funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental Fund financial statements, however, focus on *near-term* inflows and outflows of spendable resources, as well as on the balances of spendable resources which are available at the end of the fiscal year. Such information may be used to evaluate a government's requirements for near-term financing.

The Board of the School adopts an annual appropriated budget for its major governmental fund. A budgetary comparison statement has been provided for the major governmental fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 12 - 15 of this report.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 16 – 26 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a charter school's financial position. In the case of the School, assets exceeded liabilities by \$1,641,363 at the close of the fiscal year. A summary of the School's net position as of June 30, 2023 and 2022 is as follows:

	2023	2022
Cash	\$ 911,624	\$ 802,372
Due from other agencies	201,227	363,792
Prepaid expenses and other current assets	90,850	123,922
Capital and right-of-use assets, net	3,301,242	3,081,214
Other Receivables	86,639	88,250
Total Assets	4,591,582	4,459,550
Deferred outflows of resources	-	-
Accounts payable	25,455	33,983
Salaries and wages payable	72,725	72,317
Long-term debt	2,852,039	2,891,550
Total Liabilities	2,950,219	2,997,850
Deferred inflows of resources	-	-
Net Position:		
Net investment in capital assets	449,203	189,664
Restricted	209,579	271,077
Unrestricted	982,581	1,000,959
Total Net Position	\$ 1,641,363	\$ 1,461,700

At the end of both fiscal years, the School is able to report positive balances in total net position.

A summary and analysis of the School's revenues and expenses for the year ended June 30, 2023 and 2022 is as follows:

	<u>2023</u>	<u>2022</u>
REVENUES		
Program Revenues		
Operating Grants and Contributions	\$ 644,221	\$ 584,130
Capital Grants and Contributions	607,133	486,765
General Revenues		
Local Sources (FTE and other non specific)	2,552,545	2,448,542
Charge for services and other revenue	<u>137,786</u>	<u>98,701</u>
Total Revenues	<u>\$ 3,941,685</u>	<u>\$ 3,618,138</u>
EXPENSES		
Component Unit Activities:		
Instruction	\$ 2,060,145	\$ 1,816,169
Student support services	63,875	57,679
Instructional staff training	31,200	6,900
Instructional related technology	125,061	106,437
School administration	695,395	695,388
Food services	168,292	141,964
Operation of plant	312,697	179,801
Community services	111,373	115,309
Debt service	<u>193,984</u>	<u>208,056</u>
Total Expenses	<u>3,762,022</u>	<u>3,327,703</u>
Increase in Net Position	179,663	290,435
Net Position at Beginning of Year	<u>1,461,700</u>	<u>1,171,265</u>
Net Position at End of Year	<u>\$ 1,641,363</u>	<u>\$ 1,461,700</u>

During 2023, the School's revenues and expenses increased by \$323,547 and \$434,319, respectively. The School has an increase in its net position of \$179,663 for the year.

Capital Improvement Requirements

The School maintains a continuous capital improvements program to enhance facilities and updated fixtures and equipment as required.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the School's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the School's financing requirements. In particular, the *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Most of the School's operations are funded in the General Fund. The majority of the General Fund revenues are distributed to the School by the District through the Florida Education Finance Program (FEFP), which uses formulas to distribute state funds and an amount of local property taxes (i.e., required local effort) established each year by the Florida Legislature.

At the end of the fiscal year, the School's governmental general fund reported ending fund balance of \$982,581. The fund balance unassigned and available for spending at the School's discretion is \$891,731. These funds will be available for the School's future ongoing operations.

Capital Assets

The School's investment in capital assets as of June 30, 2023 amounts to \$3,301,242 (net of accumulated depreciation). This investment in capital assets includes furniture, fixtures and equipment and computer equipment. As of June 30, 2023, the School had long-term liabilities of \$2,852,039 associated to its capital assets.

Governmental Fund Budget Analysis and Highlights

Prior to the start of the School's fiscal year, the Board of the School adopted an annual budget. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Governmental Fund		
	Original Budget	Final Budget	Actual
REVENUES			
Program Revenues			
State capital outlay funding	\$ 448,459	\$ 607,133	\$ 607,133
Federal sources	706,860	644,221	644,221
Charges for services	-	689	23,815
General Revenues			
State passed through local and other local sources	2,363,735	2,580,041	2,552,545
Other revenues	91,182	109,601	113,971
Total Revenues	<u>\$ 3,610,236</u>	<u>\$ 3,941,685</u>	<u>\$ 3,941,685</u>
CURRENT EXPENDITURES			
Component Unit Activities			
Instruction	\$ 2,452,131	\$ 2,064,141	\$ 2,046,929
Student support services	59,831	53,969	63,875
Instructional staff training	-	31,200	31,200
Instructional related technology	64,000	51,231	125,061
School administration	500,489	675,970	675,970
Food services	160,791	168,292	168,292
Operation of plant	220,680	291,557	235,618
Community services	93,442	111,373	111,373
Total Current Expenditures	<u>\$ 3,551,364</u>	<u>\$ 3,447,733</u>	<u>\$ 3,458,318</u>

Most variances occurred as a result of the budget adopted being more conservative than actual results for the year.

Requests for Information

This financial report is intended to provide a general overview of the finances of the Charter School. Requests for additional information may be addressed to Ms. Shannon Sviben at Royal Palm Charter School, Inc. 7135 South Babcock Street, S.E. Palm Bay, Florida 32909

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)

Statement of Net Position
June 30, 2023

<u>Assets</u>	<u>Governmental Activities</u>
Current assets:	
Cash	\$ 911,624
Due from other agencies	201,227
Prepaid expenses and other current assets	90,850
Other receivables	86,639
Total current assets	<u>1,290,340</u>
Capital assets, non depreciable	
Land	126,616
Construction in progress	274,585
Capital assets, depreciable	3,862,941
Less: accumulated depreciation	(962,900)
Total capital assets, net	<u>3,301,242</u>
Total Assets	<u>4,591,582</u>
<u>Deferred Outflows of Resources</u>	<u>-</u>
<u>Liabilities</u>	
Current liabilities:	
Accounts payable	25,455
Salaries and wages payable	72,725
Long-term debt, current portion	42,323
Total Liabilities	<u>140,503</u>
Long-term debt	2,809,716
Total Liabilities	<u>2,950,219</u>
<u>Deferred Inflows of Resources</u>	<u>-</u>
<u>Net Position</u>	
Net investment in capital assets	449,203
Restricted	209,579
Unrestricted	982,581
Total Net Position	<u>\$ 1,641,363</u>

The accompanying notes are an integral part of these financial statements.

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)
Statement of Activities
For the year ended June 30, 2023

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 2,060,145	\$ -	\$ 442,312	\$ -	\$ (1,617,833)
Student support services	63,875	-	-	-	(63,875)
Instructional staff training	31,200	-	-	-	(31,200)
Instructional related technology	125,061	-	-	-	(125,061)
School administration	695,395	-	-	-	(695,395)
Food services	168,292	689	201,909	-	34,306
Operation of plant	312,697	-	-	607,133	294,436
Community services	111,373	109,601	-	-	(1,772)
Debt service	193,984	-	-	-	(193,984)
Total governmental activities	3,762,022	110,290	644,221	607,133	(2,400,378)
General revenues:					
FTE and other nonspecific revenues					2,552,545
Other revenues					27,496
Change in net position					179,663
Net position, beginning					1,461,700
Net position, ending					\$ 1,641,363

The accompanying notes are an integral part of these financial statements.

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)

Balance Sheet - Governmental Funds
June 30, 2023

	General Fund	Special Revenue Fund	Non-Major governmental funds	Total Governmental Funds
<u>Assets</u>				
Cash	\$ 911,624	\$ -	\$ -	\$ 911,624
Due from other agencies	45,214	132,958	23,055	201,227
Due from fund	132,958	-	186,524	319,482
Prepaid expenses	90,850	-	-	90,850
Other Receivables	86,639	-	-	86,639
Total Assets	<u>1,267,285</u>	<u>132,958</u>	<u>209,579</u>	<u>1,609,822</u>
<u>Deferred Outflows of Resources</u>				
	-	-	-	-
<u>Liabilities</u>				
Accounts payable	25,455	-	-	25,455
Salaries and wages payable	72,725	-	-	72,725
Due to fund	186,524	132,958	-	319,482
Total Liabilities	<u>284,704</u>	<u>132,958</u>	<u>-</u>	<u>417,662</u>
<u>Deferred Inflows of Resources</u>				
	-	-	-	-
<u>Fund balance</u>				
Nonspendable, not in spendable form	90,850	-	-	90,850
Restricted	-	-	209,579	209,579
Unassigned	891,731	-	-	891,731
	<u>982,581</u>	<u>-</u>	<u>209,579</u>	<u>1,192,160</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 1,267,285</u>	<u>\$ 132,958</u>	<u>\$ 209,579</u>	<u>\$ 1,609,822</u>

The accompanying notes are an integral part of these financial statements.

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2023

Total Fund Balance - Governmental Funds \$ 1,192,160

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

Capital assets net of accumulated depreciation and amortization used in governmental activities are not financial resources and therefore are not reported in the fund.

Capital assets	4,264,142	
Less: accumulated depreciation	<u>(962,900)</u>	3,301,242

Long term liabilities in governmental activities are not due and payable in the current period and therefore, are not reported in the governmental funds. (2,852,039)

Total Net Position - Governmental Activities \$ 1,641,363

The accompanying notes are an integral part of these financial statements.

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)

Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds
For the year ended June 30, 2023

	General Fund	Special Revenue Fund	Non-Major governmental funds	Total Governmental Funds
Revenues:				
State capital outlay funding	\$ -	\$ -	\$ 607,133	\$ 607,133
State passed through local and other local sources	2,552,545	-	-	2,552,545
Federal sources	-	644,221	-	644,221
Lunch program fees	-	689	-	689
Charges for services and other revenues	113,971	23,126	-	137,097
Total Revenues	2,666,516	668,036	607,133	3,941,685
Expenditures:				
Current				
Instruction	1,604,617	442,312	-	2,046,929
Student support services	63,875	-	-	63,875
Instructional staff training	31,200	-	-	31,200
Instructional related technology	125,061	-	-	125,061
School administration	675,970	-	-	675,970
Food services	-	168,292	-	168,292
Operation of plant	235,618	-	-	235,618
Community services	88,247	23,126	-	111,373
Capital Outlay:				
Other capital outlay	-	-	329,748	329,748
Debt Service:				
Redemption of Principal	-	-	39,511	39,511
Interest	-	-	193,984	193,984
Total Expenditures	2,824,588	633,730	563,243	4,021,561
Excess (deficit) of revenues over expenditures	(158,072)	34,306	43,890	(79,876)
Other financing sources (uses)				
Transfers in (out)	139,694	(139,694)	-	-
Net change in fund balance	(18,378)	(105,388)	43,890	(79,876)
Fund Balance at beginning of year	1,000,959	105,388	165,689	1,272,036
Fund Balance at end of year	\$ 982,581	\$ -	\$ 209,579	\$ 1,192,160

The accompanying notes are an integral part of these financial statements.

Royal Palm Charter School, Inc.
 (A component unit of the Brevard County District School Board)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of Governmental Funds to the Statement of Activities
 For the year ended June 30, 2023

Net Change in Fund Balance - Governmental Funds \$ (79,876)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense. This is the amount by which capital outlays differed from depreciation and amortization expense.

Capital outlays	329,748	
Depreciation and amortization expense	<u>(109,720)</u>	220,028
 Principal payments on long-term liabilities	 <u>39,511</u>	 <u>\$ 39,511</u>

Change in Net Position of Governmental Activities \$ 179,663

The accompanying notes are an integral part of these financial statements.

Note 1 – Summary of Significant Accounting Policies

Reporting Entity

Reporting entity Royal Palm Charter School, Inc. is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation began conducting business as Royal Palm Charter School, Inc. (the "School") in 2006. The governing body of the School is the not-for-profit corporation's Board of Directors. The financial statements are a presentation of the charter school and not a complete presentation of the not-for-profit.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring, the Brevard County District School Board (the "District"). The current charter is effective until June 30, 2031 and may be renewed provided that a program review demonstrates that certain criteria addressed in Section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter's expiration. Pursuant to Section 1002.33(8)(e), Florida Statutes, the charter school contract provides that in the event the School is dissolved or terminated, any unencumbered funds and all School property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which should be reported with the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) Codification of Governmental Accounting and Financial Reporting Standards, Sections 2100 and 2600. The application of these criteria provide 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 accounting policies conform to accounting principles generally accepted in the United States as applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. Accordingly, the basic financial statements include both the government-wide and fund financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report information about the School as a whole. Any internal interfund activity has been eliminated from these financial statements. Both statements report only governmental activities as the School does not engage in any business type activities. These statements also do not include fiduciary funds.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services, such as food service and student activity fees; (2) operating grants such as the National School Lunch Program, Federal grants, and other state allocations; and (3) capital grants specific to capital outlay. In addition, revenues not classified as program revenues are shown as general revenues, which include Florida Education Finance Program (FEFP) revenues, and other miscellaneous sources.

Fund Financial Statement

Fund financial statements are provided for governmental funds. The operations of the funds are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflow of resources, liabilities, deferred inflows of resources, equity, revenues and expenditures. The School reports the following major governmental funds with all non-major funds aggregated in a single column:

General Fund - is the School's primary operating fund. It accounts for all financial resources of the school, except those required to be accounted for in another fund.

Special Revenue Fund - accounts for specific revenue, such as the federal lunch program and COVID-19 emergency relief funding that are legally restricted to expenditures for particular purposes.

Measurement Focus and Basis of Accounting

The financial statements of the School are prepared in accordance with generally accepted accounting principles (GAAP). The School's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) Codification of Accounting and Financial Reporting Guidance.

The government-wide statements report using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Note 1 – Summary of Significant Accounting Policies (continued)

The School recognizes assets of non-exchange transactions in the period when the underlying transaction occurs, when an enforceable legal claim has arisen, or when all eligibility requirements are met. Revenues are recognized, on the modified accrual basis, when they are measurable and available.

Non-exchange transactions occur when the school provides (or receives) value to (from) another party without receiving (or giving) equal or nearly equal value in return. Most donations are examples of non-exchange transactions. Revenues from grants and donations are recognized on the accrual basis, in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Florida Education Finance Program (FEFP) revenues are recognized when received. A one-year availability period is used for revenue recognition for all other governmental fund revenues. Charges for services and fees are recognized when cash is collected as amounts are not measurable. When grant terms provide that the expenditure of funds is the prime factor for determining eligibility for federal, state, and other grant funds, revenue is recognized at the time the expenditure is made. Expenditures are recorded when the related fund liability is incurred, except for long-term debt principal and interest which are reported as expenditures in the year due.

Budgets and Budgetary Accounting

In compliance with Florida Statutes, the Board of Directors adopts an annual budget using the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g. salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g. instruction, pupil personnel services and school administration). Revisions to the annual budget are approved by the Board.

Cash and Cash Equivalents

Cash and cash equivalents are considered to be cash on hand, demand deposits, non-marketable time deposits with maturities of three months or less when purchased, and money market/savings accounts (see Note 2).

Note 1 – Summary of Significant Accounting Policies (continued)

Inter-fund Transfers

Inter-fund receivables/payables (“due from/to”) are short-term balances that represent reimbursements between funds for payments made by one fund on behalf of another fund.

Due from Other Governments or Agencies

Amounts due to the School by other governments or agencies are for grants or programs under which the services have been provided by the School.

Prepaid Expenses and Other Current Assets

Other assets consist mainly of prepaid expenses which are payments for goods or services that have not been consumed or used at year end. The expenditure will be recorded when the asset is used. Accordingly, prepaid expenses are equally offset by a nonspendable fund balance classification.

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School does not have any items that qualify for reporting in this category.

Capital Assets

The School’s property, plant and equipment with useful lives of more than one year are stated at historical cost and comprehensively reported in the statement of net position in the governmentwide financial statements. Donated capital assets are recorded at their estimated fair market value on the date donated. The School generally capitalizes assets with cost of a \$1,000 or more. Building improvements, additions and other capital outlays that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are sold or disposed of, the related cost and accumulated depreciation are removed from the accounts, and the resulting gain or loss is recorded in the government wide statements. Proceeds received from the sale or disposal of capital assets are recorded as Other Financing Sources in the governmental funds.

Note 1 – Summary of Significant Accounting Policies (continued)

Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	5-15 Years
Furniture, fixtures and equipment	5-10 Years
Building	40 Years
Audio visual materials	5 Years

Compensated Absences

The School grants a specific number of sick days. Full time instructional employees are eligible to cash out unused days. Cash out will be based on the staff member's daily rate of pay (calculated by salary divided by the number of work days). Paid time off Cash out will be calculated based on whole days unused with no payments for partial days. Staff is paid 80% of daily rate for cash out. If an employee does not use any days during the school year, the employee can cash out days at 100% of daily rate or rollover the days. The cash out will take place between the last required work day and the final paycheck for the school year. In order to qualify for the cash out the staff member must work through the entire contracted year.

GASB Codification Section C60, *Accounting for Compensated Absences*, provides that compensated absences that are contingent on a specific event that is outside the control of the employer and employee should be accounted for in the period those events take place. Accordingly, these financial statements do not include an accrual for compensated absences available to be used in future benefits years. The School also provides certain days to be used for specific personal matters such as family death and jury duty. Because the use of such days is contingent upon those events taking place and such events are out of the control of both the employer and the employee, there is no accrual for such days.

Revenue Sources

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

Under the provisions of Section 1011.62, Florida Statutes, the District reports the number of the full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the FEFP.

Note 1 – Summary of Significant Accounting Policies (continued)

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. After review and verification of FTE reports and supporting documentation, the FDOE may adjust subsequent fiscal period allocations of FEFP funding for prior year errors disclosed by its review as well as to prevent statewide allocations from exceeding the amount authorized by the Legislature. Normally, such adjustments are treated as reductions of revenue in the year the adjustment is made.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based on a capital outlay plan submitted to the District and are to be used for lease of school facilities. In addition, the School may receive a portion of the local capital improvement ad valorem tax revenues levied by the District. Finally, the School also receives Federal awards for the enhancement of various educational programs. Federal awards are 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. Any excess amounts are recorded as deferred revenues until expended. Additionally, other revenues may be derived from various fundraising activities and certain other programs.

Long-Term Debt and Liabilities

In the government-wide financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities statement of net position. In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

Net Position and Fund Balance Classifications

Government-wide financial statements

Equity is classified as net position and displayed in three components:

- a) Net investment in capital assets - consists of capital assets net of accumulated depreciation reduced by the outstanding balances of any borrowings that are attributable to the acquisition or improvement of those assets.
- b) Restricted net position - consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- c) Unrestricted net position - all other net position that do not meet the definition of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for a specific purpose, it is the Schools's policy to use restricted resources first, until exhausted, before using unrestricted resources.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund financial statements

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

- a) Nonspendable – includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. Consists of fund balance associated with prepaid expenses.
- b) Restricted – this classification includes fund balance category amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation. Restricted fund balance at year end pertains to the school's capital outlay.
- c) Committed - fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's Board of Directors. There are no committed fund balances at year end.
- d) Assigned - fund balance classification that is intended to be used by the School's management for specific purposes but do not meet the criteria to be classified as restricted or committed. There are no assigned balances at year end.
- e) Unassigned – portion of the fund balance that has not been restricted, committed or assigned for a specific purpose. This is the residual classification for the School's general fund.

Committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Use of Estimates

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

New Accounting Standard Adopted

In fiscal year 2023, the School adopted a new statement of financial accounting standard issued by Governmental Accounting Standards Board: GASBS Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. The adoption had no material effect on the School's 2023 financial statements.

Note 1 – Summary of Significant Accounting Policies (continued)

Pronouncements Issued But Not Yet Effective

GASB has issued GASB Statement No. 101, Compensating Absences. This Statement provides guidance on the accounting and financial reporting for certain types of compensated absences including parental leave, military leave, and injury duty leave. The School is currently evaluating the effect that implementation of the new standard will have on its financial statements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2023.

Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and applicable state law. The School recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the School and various positions related to the potential sources of unrelated business taxable income. The assessment of the technical merits of a tax position is a matter of judgment. The School believes that all of its tax positions are more likely than not to be sustained upon examination. The School files Form 990 in the U.S. federal jurisdiction.

Subsequent Events

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through October 17, 2023, which is the date the financial statements were available to be issued.

Note 2 – Cash and Cash Equivalents

Deposits

At June 30, 2023, the carrying amount of the School's deposits and cash equivalents on hand totaled \$911,624

The School maintains its cash in one financial institution. Deposits at FDIC-insured institutions are insured up to \$250,000 per depositor, per financial institution. As of June 30, 2023, bank balances in potential excess of FDIC coverage were approximately \$765,000.

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)
Notes to Financial Statements
June 30, 2023

Note 3 – Capital Assets

The following schedule provides a summary of changes in capital assets, acquired substantially with public funds, for the year ended June 30, 2023:

	Balance 07/01/22	Additions	Retirements/ Reclassifications	Balance 06/30/23
Capital Assets, non-depreciable:				
Land	\$ 126,616	\$ -	\$ -	\$ 126,616
Building improvements under construction	8,226	266,359	-	274,585
Capital Assets, depreciable:				
Improvements other than buildings	\$ 345,003	\$ 51,947	\$ -	\$ 396,950
Leased equipment	246,325	-	(246,325)	-
Furniture, fixtures and equipment	399,112	11,442	-	410,554
Building	3,048,517	-	-	3,048,517
Audio visual materials	6,920	-	-	6,920
Total Capital Assets	<u>4,180,719</u>	<u>329,748</u>	<u>(246,325)</u>	<u>4,264,142</u>
Less Accumulated Depreciation:				
Improvements other than buildings	(330,607)	(2,777)	-	(333,384)
Leased equipment	(246,325)	-	246,325	-
Furniture, fixtures and equipment	(278,650)	(29,346)	-	(307,996)
Building	(241,341)	(76,213)	-	(317,554)
Audio visual materials	(2,582)	(1,384)	-	(3,966)
Total Accumulated Depreciation	<u>(1,099,505)</u>	<u>(109,720)</u>	<u>246,325</u>	<u>(962,900)</u>
Capital Assets, being depreciated, net	<u>\$ 3,081,214</u>	<u>\$ 220,028</u>	<u>\$ -</u>	<u>\$ 3,301,242</u>

For the fiscal year ended June 30, 2023, depreciation expense is allocated in the Statement of Activities by function as follows:

	Depreciation
Instruction	\$ 13,216
School Administration	19,425
Operation of plant	77,079
Total Expense	<u>\$ 109,720</u>

Note 4 – Long Term Liabilities

During March 2019, the School entered into a mortgage loan with Ameris Bank with a term of 30 years. The terms of the loan provide for monthly installments of principal and interest in the amount of \$19,458 at a rate of 6.75% based upon a thirty-year straight amortization schedule.

Note 4 – Long Term Liabilities (continued)

The interest rate will be adjusted every 5 years after the initial payment to reflect the maximum prime interest rate in the Wall Street Journal plus 1.25%. The mortgage is secured by the educational facility and land.

The following schedule provides a summary of changes in long-term debt for the year:

	Balance 07/01/22	Additions	Retirements / Payments	Balance 06/30/23
Long-term debt	\$ 2,891,550	\$ -	\$ (39,511)	\$ 2,852,039
Total Long Term Liabilities	<u>\$ 2,891,550</u>	<u>\$ -</u>	<u>\$ (39,511)</u>	<u>\$ 2,852,039</u>

Future minimum payments for the notes payable are as follows:

Year	Principal	Interest	Total	
2024	\$ 42,323	\$ 191,172	\$ 233,495	
2025	45,270	188,225	233,495	
2026	48,422	185,073	233,495	
2027	51,794	181,702	233,496	
2028	55,400	178,095	233,495	
2029-2033	340,521	826,956	1,167,477	(Total for a five year period.)
2034-2038	476,768	690,709	1,167,477	(Total for a five year period.)
2039-2043	667,530	499,947	1,167,477	(Total for a five year period.)
2044-2048	934,619	232,858	1,167,477	(Total for a five year period.)
2049	189,392	5,884	195,276	(Total for a one year period.)
	<u>\$ 2,852,039</u>	<u>\$ 3,180,621</u>	<u>\$ 6,032,660</u>	

Note 5 – Contingencies and Concentrations

The School was involved in litigation with its prior management company. This matter was settled as of June 30, 2023 and resulted in a payment of \$66,250 reflected as dues and fees.

As of June 30, 2023 the School had uncompleted construction contracts in connection to the replacement of a parking lot with a balance of approximately \$60,000 to be completed. During the fiscal year 2022-2023 the School entered into a second contract with Haddow Construction, Inc. for the construction of a new building the construction is scheduled to begin sometime during the 2023-2024 fiscal year. This additional contract is approximately \$1,679,000.

Additionally, the School receives various forms of federal, state and local funding which are subject to financial and compliance audits. It is the opinion of management that the amount of funding, if any, which may be remitted back to the state due to errors in the FTE student data or the amount of grant expenditures which may be disallowed by grantor agencies would not be material to the financial position of the School.

Note 5 – Contingencies and Concentrations (continued)

Pursuant to the Charter School contract with the School District, the District withholds an administrative fee of up to 5% or 2% of the qualifying revenues of the School and up to and including 250 students. For the year ended June 30, 2023, administrative fees totaled \$91,341.

Note 6 – Risk Management

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance.

Note 7 – Inter Fund Transfers

Interfund transfers in governmental funds as of June 30, 2023 consist of the following:

	General Fund	Special Revenue Fund	Non-major Governmental Funds
To reimburse General Fund for prior year federal expenditures	\$ 139,694	\$ (139,694)	\$ -
Total Transfers, net	<u>\$ 139,694</u>	<u>\$ (139,694)</u>	<u>\$ -</u>
Due to Capital Projects Fund from General Fund for capital outlay	\$(186,524)	\$ -	\$ 186,524
Due to General Fund from Special Revenue Fund for federal expenditures	132,958	(132,958)	-
Total Due from/(Due to)	<u>\$ (53,566)</u>	<u>\$ (132,958)</u>	<u>\$ 186,524</u>

REQUIRED SUPPLEMENTARY INFORMATION

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	General Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State passed through local	\$ 2,363,735	\$ 2,580,041	\$ 2,552,545
Other revenues	91,182	109,601	113,971
Total Revenues	<u>2,454,917</u>	<u>2,689,642</u>	<u>2,666,516</u>
EXPENDITURES			
Current:			
Instruction	1,836,453	1,621,829	1,604,617
Student support services	59,831	53,969	63,875
Instructional staff training	-	31,200	31,200
Instructional related technology	64,000	51,231	125,061
School administration	500,489	675,970	675,970
Operation of plant	220,680	291,557	235,618
Community services	93,442	111,373	88,247
Total Current Expenditures	<u>2,774,895</u>	<u>2,837,129</u>	<u>2,824,588</u>
Excess (deficit) of Revenues Over Current Expenditures	<u>(319,978)</u>	<u>(147,487)</u>	<u>(158,072)</u>
Total Expenditures	<u>2,774,895</u>	<u>2,837,129</u>	<u>2,824,588</u>
Excess (deficit) of Revenues Over Expenditures	(319,978)	(147,487)	(158,072)
Other financing sources (uses):			
Transfers in (out)	<u>-</u>	<u>-</u>	<u>139,694</u>
Net change in fund balance	(319,978)	(147,487)	(18,378)
Fund Balance at beginning of year	<u>1,000,959</u>	<u>1,000,959</u>	<u>1,000,959</u>
Fund Balance at end of year	<u>\$ 680,981</u>	<u>\$ 853,472</u>	<u>\$ 982,581</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.

Royal Palm Charter School, Inc.
(A component unit of the Brevard County District School Board)

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the year ended June 30, 2023

	Special Revenue Fund		
	Original Budget	Final Budget	Actual
REVENUES			
State capital outlay funding			
Federal sources	\$ 706,860	\$ 644,221	\$ 644,221
Lunch program fees	-	689	689
Other revenues	-	-	23,126
Total Revenues	<u>706,860</u>	<u>644,910</u>	<u>668,036</u>
EXPENDITURES			
Current:			
Instruction	615,678	442,312	442,312
Food services	160,791	168,292	168,292
Community services	-	-	23,126
Total Current Expenditures	<u>776,469</u>	<u>610,604</u>	<u>633,730</u>
Excess (deficit) of Revenues Over Current Expenditures	<u>(69,609)</u>	<u>34,306</u>	<u>34,306</u>
Capital Outlay	-	-	-
Total Expenditures	<u>776,469</u>	<u>610,604</u>	<u>633,730</u>
Excess (deficit) of Revenues Over Expenditures	(69,609)	34,306	34,306
Other financing sources (uses)			
Transfers in (out)	<u>69,609</u>	<u>(34,306)</u>	<u>(139,694)</u>
Net change in fund balance	-	-	(105,388)
Fund Balance at beginning of year	<u>105,388</u>	<u>105,388</u>	<u>105,388</u>
Fund Balance at end of year	<u>\$ 105,388</u>	<u>\$ 105,388</u>	<u>\$ -</u>

Notes to Budgetary Comparison Schedule

An annual budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors.



INDEPENDENT AUDITORS' 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*

Board of Directors of
Royal Palm Charter School, Inc.
Palm Bay, 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 Royal Palm Charter School, Inc. (the "School") as of, and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 17, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

We issued a separate management letter dated October 17, 2023 pursuant to Chapter 10.850, Rules of the Auditor General.

Purpose of this Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 17, 2023



MANAGEMENT LETTER

To the Board of Directors of
Royal Palm Charter School, Inc.
Palm Bay, Florida

Report on the Financial Statements

We have audited the financial statements of Royal Palm Charter School, Inc., Palm Bay, Florida, as of and for the fiscal year ended June 30, 2023 and have issued our report thereon dated October 17, 2023.

Auditors' 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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedules, which are dated October 17, 2023, 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 made in the preceding 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 and school code assigned by the Florida Department of education of the entity is Royal Palm Charter School, Inc., 6509.

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 Royal Palm Charter School, Inc. has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identify the specific condition(s) met. In connection with our audit, we determined that Royal Palm Charter School, Inc. 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 Royal Palm Charter School, Inc.. It is management's responsibility to monitor Royal Palm Charter School, Inc.'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.

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

Transparency

Sections 10.854(1)(e)7 and 10.855(13), Rules of the Auditor General, require us to report the results of our determination as to whether Royal Palm Charter School, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that Royal Palm Charter School, Inc. maintained on its Web site 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 which 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 Florida House of Representatives, the Florida Auditor General, School Board of Brevard County, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CERTIFIED PUBLIC ACCOUNTANTS

Coral Gables, Florida
October 17, 2023

Appendix to Management Letter
Current year's Observations, Recommendations, and Management's Responses
June 30, 2023

ML – 23-01 Procurement Policies & Procedures

Criteria: The school should have appropriate procurement policies and procedures.

Condition: It was noted during the audit that the school entered into two construction agreements with a total sum of approximately \$1,941,000 and did not require a competitive bidding process as a prerequisite for major construction expenditures.

Cause: The condition results from not establishing adequate procurement policies and procedures.

Effect: Lack of adequate procurement policies and procedures could lead to excessive or improper spending of state funds.

**Recom-
mendation:** The School does not normally obtain competitive bids as a prerequisite for purchases or for major construction expenditures. Disbursement controls would be significantly improved if a written policy on competitive bidding is established, indicating the dollar level above which competitive bids must be obtained. This policy should also recognize that instances will arise where it may not be possible or appropriate to solicit competitive bids. In such situations the policy would require that a waiver of the bidding process be substantiated and approved by the board.

**Views of
Responsible**

Officials: We will bring your suggestion to the Board of Directors to create some policy and procedures regarding purchasing, but would like to point out that Rule 6A-1.012, F.A.C., provides the purchasing rules that apply to district school boards, and it does not apply to charter schools such as Royal Palm Charter School. This rule was promulgated to implement section 1010.04, Florida Statutes, which enumerates the purchasing requirements on school districts and Florida College System institutions, which once again do not include charter schools. Additionally, per section 1002.33(16)(a), Florida Statutes, charter schools are explicitly exempted from complying with section 1010.04, Florida Statutes.