

PALM BAY EDUCATION GROUP, INC.

INDEPENDENT AUDITOR'S REPORT and
FEDERAL SINGLE AUDIT

for the fiscal year ended JUNE 30, 2024

King & Walker, CPAs, PL

Certified Public Accountants

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PALM BAY EDUCATION GROUP, INC.

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Independent Auditor's Report

To the Board of Directors
Palm Bay Education Group, Inc.,

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Palm Bay Education Group, Inc. ("Organization"), a not-for-profit entity, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Organization, as of June 30, 2024, 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 the Organization 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 the Organization'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 GAAS 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 GAAS 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 Organization'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 Organization'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 Management's Discussion and Analysis, the Budgetary Comparison Schedule, and Notes to Required Supplementary Information, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The schedule of expenditures of Federal awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report January 6, 2025, on our consideration of the Organization'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 Organization'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 Organization's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, professional style.

January 6, 2025
Tampa, Florida

PALM BAY EDUCATION GROUP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Palm Bay Education Group, Inc., provides an overview of the Organization's financial activities for the fiscal year ended June 30, 2024.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Organization's financial statements and notes to financial statements, as listed in the table of contents.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2024, the Organization's revenue exceeded expenses, as shown on the Organization's statement of activities, by \$490,321.
- As shown on the statement of net position, the Organization reported a total net position balance of \$12,793,843.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the Organization's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net position and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the Organization presented on the accrual basis of accounting. The statement of net position provides information about the Organization's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net position, is a measure of the financial health of the Organization. The statement of activities presents information about the change in the Organization's net position and the results of operations, during the fiscal year. An increase or decrease in net position is an indication of whether the Organization's financial health is improving or deteriorating. To assess the overall financial position of the Organization, one needs to consider additional non-financial factors such as changes in the school student base funding level.

PALM BAY EDUCATION GROUP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

Fund Financial Statements

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the Organization's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide statements.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund statements provide a detailed short-term view that may be used to evaluate the Organization's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the Organization's most significant funds. The Organization operates three funds, a General Fund, a Capital Projects Fund, and a Special Revenue Fund. For reporting purposes, the Organization has elected to show all funds as major funds.

The Organization adopts annual budgets for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund and Special Revenue Fund to demonstrate compliance with the budgets.

Notes to Financial Statements

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

PALM BAY EDUCATION GROUP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of the Organization's current year and prior year net position:

	Net Position, End of Year		
	<u>Governmental Activities</u>		Increase (Decrease)
	<u>6-30-23</u>	<u>6-30-24</u>	
ASSETS			
Current and Other Assets	\$ 2,564,959	\$ 2,861,176	\$ 296,217
Capital Assets, Net	<u>18,742,754</u>	<u>22,723,395</u>	<u>3,980,641</u>
Total Assets	<u>21,307,713</u>	<u>25,584,571</u>	<u>4,276,858</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflow Related to Pensions	<u>1,614,367</u>	<u>1,220,242</u>	<u>(394,125)</u>
Total Deferred Outflow Related to Pensions	<u>1,614,367</u>	<u>1,220,242</u>	<u>(394,125)</u>
LIABILITIES			
Current Liabilities	798,901	4,023,581	3,224,680
Noncurrent Liabilities	<u>9,226,477</u>	<u>9,398,582</u>	<u>172,105</u>
Total Liabilities	<u>10,025,378</u>	<u>13,422,163</u>	<u>3,396,785</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	<u>593,180</u>	<u>588,807</u>	<u>(4,373)</u>
Total Deferred Inflow Related to Pensions	<u>593,180</u>	<u>588,807</u>	<u>(4,373)</u>
NET POSITION			
Net Investment in Capital Assets	12,589,800	16,857,611	4,267,811
Restricted	1,664,648	574,021	(1,090,627)
Unrestricted	<u>(1,950,926)</u>	<u>(4,637,789)</u>	<u>(2,686,863)</u>
Total Net Position	<u>\$ 12,303,522</u>	<u>\$ 12,793,843</u>	<u>\$ 490,321</u>

The assets of the Organization consist primarily of cash and cash equivalents, restricted escrow account, and capital assets, net of accumulated depreciation/amortization. Liabilities consist of accounts payable, salaries and benefits payable, a short-term payable, a long-term lease payable, a net pension liability, and long-term notes payable. The Organization reported a total net position balance of \$12,793,843.

PALM BAY EDUCATION GROUP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The following is a summary of the Organization's change in net position for the current year and prior year:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-23</u>	<u>6-30-24</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal Through State and Local	\$ 1,203,681	\$ 3,351,239	\$ 2,147,558
State	4,875,167	5,131,731	256,564
Local and Other	1,204,309	1,558,965	354,656
Total Revenues	<u>7,283,157</u>	<u>10,041,935</u>	<u>2,758,778</u>
Expenses:			
Instruction	3,474,164	3,861,507	387,343
Student Support Services	321,684	280,389	(41,295)
Instructional Media	4,549	6,252	1,703
Instruction & Curriculum Development	2,538	1,862	(676)
Instructional Staff Training	5,899	9,098	3,199
Instructional Related Technology	121,870	123,767	1,897
Board	331,005	277,512	(53,493)
School Administration	1,174,717	1,777,092	602,375
Fiscal Services	152,330	159,597	7,267
Food Services	383,554	383,730	176
Student Transportation	-	10,451	10,451
Operation of Plant	609,362	811,111	201,749
Maintenance of Plant	23,701	47,014	23,313
Community Service	61,488	84,131	22,643
Debt Service - Interest & Fiscal Charges	240,260	248,069	7,809
Unallocated Depreciation/Amortization	1,062,506	1,470,032	407,526
Total Expenses	<u>7,969,627</u>	<u>9,551,614</u>	<u>1,581,987</u>
Increase/(Decrease) in Net Position	<u>\$ (686,470)</u>	<u>\$ 490,321</u>	<u>\$ 1,176,791</u>

The largest revenue source for the Organization is the State of Florida (51%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the Organization.

The largest concentration of expenses during the year was for Instruction (40%), which consisted primarily of teacher salaries. Other expense categories experienced increases and decreases between fiscal years due to general economic conditions and the financial needs of the Schools.

PALM BAY EDUCATION GROUP, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

FINANCIAL ANALYSIS OF THE ORGANIZATION'S FUNDS

Governmental Funds

As the Organization completed the year, its governmental funds reported a total combined fund balance deficit of \$1,162,405.

BUDGETARY HIGHLIGHTS

The general fund and special revenue fund budgets for the fiscal year ended June 30, 2024, were developed based on the Organization's anticipated revenues and expenditures, the expected student population, and Federal grant programs for the Organization's fiscal year. Over the course of the year, the Organization revised its budgets several times. For the fiscal year ended June 30, 2024, the actual expenditures were equal to the final budgets. Refer to the Budgetary Comparison Schedule for additional information.

CAPITAL ASSETS

The Organization's investment in capital assets for the governmental activities as of the June 30, 2024, amounts to \$22,723,395 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and fixed equipment, improvements, furniture, fixtures, and equipment, and a leased asset – building. Additional information regarding the Organization's capital assets can be found in the notes to the financial statements.

LONG-TERM LIABILITIES

At June 30, 2024, the Organization had \$9,398,582 in long-term liabilities outstanding, a net increase of \$172,105 from the prior fiscal year. Additional information about the Organization's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations of the Organization in fiscal year 2024-25 include:

- Continued funding from FEFP.
- Expected increase in enrollment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Palm Bay Education Group, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, 2045 Palmetto Street, Clearwater, Florida 33765.

PALM BAY EDUCATION GROUP, INC.

STATEMENT OF NET POSITION

June 30, 2024

	<u>Government Activities</u>
ASSETS	
Cash & Cash Equivalents	\$ 1,821,130
Restricted Escrow Account	574,021
Due From Other Agencies	405,794
Prepaid Items & Deposits	60,231
Capital Assets:	
Land	1,505,200
Buildings & Fixed Equipment, Net	19,322,962
Improvements, Net	1,214,929
Leased Asset - Building, Net	420,948
Furniture, Fixtures, and Equipment, Net	259,356
Total Capital Assets	<u>22,723,395</u>
TOTAL ASSETS	<u>25,584,571</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflow Related to Pensions	1,220,242
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,220,242</u>
LIABILITIES	
Salaries and Benefits Payable	191,997
Accounts Payable	581,584
Loan Payable	3,250,000
Noncurrent Liabilities:	
Due Within One Year:	
Notes Payable	4,121,526
Long-Term Lease Payable	87,061
Due After One Year:	
Notes Payable	1,323,310
Long-Term Lease Payable	333,887
Net Pension Liability	3,532,798
TOTAL LIABILITIES	<u>13,422,163</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflow Related to Pensions	588,807
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>588,807</u>
NET POSITION	
Net Investment in Capital Assets	16,857,611
Restricted	574,021
Unrestricted	(4,637,789)
TOTAL NET POSITION	<u><u>\$ 12,793,843</u></u>

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

PALM BAY EDUCATION GROUP, INC.

STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2024

		Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Position Governmental Activities
Governmental Activities:					
Instruction	\$ 3,861,507	\$ -	\$ 909,042	\$ -	\$ (2,952,465)
Student Support Services	280,389	-	154,838	-	(125,551)
Instructional Media	6,252	-	-	-	(6,252)
Instruction & Curriculum Development	1,862	-	-	-	(1,862)
Instructional Staff Training	9,098	-	6,768	-	(2,330)
Instructional Related Technology	123,767	-	-	-	(123,767)
Board	277,512	-	646	-	(276,866)
School Administration	1,777,092	-	2,907	-	(1,774,185)
Fiscal Services	159,597	-	-	-	(159,597)
Food Services	383,730	19,158	399,486	-	34,914
Student Transportation	10,451	-	-	-	(10,451)
Operation of Plant	811,111	-	23,740	367,448	(419,923)
Maintenance of Plant	47,014	-	-	-	(47,014)
Community Service	84,131	85,343	-	-	1,212
Debt Service - Interest & Fiscal Charges	248,069	-	-	-	(248,069)
Unallocated Depreciation/Amortization	1,470,032	-	-	-	(1,470,032)
Total Governmental Activities	<u>\$ 9,551,614</u>	<u>\$ 104,501</u>	<u>\$ 1,497,427</u>	<u>\$ 367,448</u>	<u>(7,582,238)</u>
General Revenue					
State Sources					4,764,283
Local and Other					1,454,464
Grants and Contributions not restricted to specific program					1,853,812
Total General Revenues					<u>8,072,559</u>
Change in Net Position					490,321
Net Position - July 1, 2023					<u>12,303,522</u>
Net Position - June 30, 2024					<u>\$ 12,793,843</u>

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

PALM BAY EDUCATION GROUP, INC.

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2024

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash & Cash Equivalents	\$ 1,821,130	\$ -	\$ -	\$ 1,821,130
Restricted Escrow Account	574,021	-	-	574,021
Due From Other Agencies	-	405,794	-	405,794
Prepaid Items & Deposits	60,231	-	-	60,231
Due from Other Funds	405,794	-	-	405,794
Total Assets	<u>\$ 2,861,176</u>	<u>\$ 405,794</u>	<u>\$ -</u>	<u>\$ 3,266,970</u>
LIABILITIES				
Salaries and Benefits Payable	\$ 191,997	\$ -	\$ -	\$ 191,997
Accounts Payable	581,584	-	-	581,584
Loan Payable	3,250,000	-	-	3,250,000
Due to Other Funds	-	405,794	-	405,794
Total Liabilities	<u>4,023,581</u>	<u>405,794</u>	<u>-</u>	<u>4,429,375</u>
FUND BALANCES				
Nonspendable	60,231	-	-	60,231
Restricted	574,021	-	-	574,021
Unassigned	(1,796,657)	-	-	(1,796,657)
Total Fund Balances	<u>(1,162,405)</u>	<u>-</u>	<u>-</u>	<u>(1,162,405)</u>
Total Liabilities and Fund Balances	<u>\$ 2,861,176</u>	<u>\$ 405,794</u>	<u>\$ -</u>	<u>\$ 3,266,970</u>

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

PALM BAY EDUCATION GROUP, INC.

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

June 30, 2024

Total Fund Balances - Governmental Funds			\$	(1,162,405)
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets, net of accumulated depreciation/amortization, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.				
				22,723,395
Deferred Outflows and Inflows of resources are not available in the current period and not reported in the governmental funds.				
	Deferred Outflows	1,220,242		
	Deferred Inflows	<u>(588,807)</u>		631,435
Long-term liabilities are not due and payable in the current period and therefore, are not reported as liabilities in the governmental funds.				
	Notes Payable	(5,444,836)		
	Long-Term Lease Payable	(420,948)		
	Net Pension Liability	<u>(3,532,798)</u>		<u>(9,398,582)</u>
Total Net Position - Governmental Activities			\$	<u>12,793,843</u>

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

PALM BAY EDUCATION GROUP, INC.

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

For the Fiscal Year Ended June 30, 2024

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Intergovernmental:				
Federal Through State and Local	\$ 1,843,865	\$ 1,507,374	\$ -	\$ 3,351,239
State	4,764,283	-	367,448	5,131,731
Local and Other	1,490,500	19,158	49,307	1,558,965
Total Revenues	8,098,648	1,526,532	416,755	10,041,935
Expenditures				
Current - Education:				
Instruction	2,952,465	909,042	-	3,861,507
Student Support Services	125,551	154,838	-	280,389
Instructional Media	6,252	-	-	6,252
Instruction & Curriculum Development	1,862	-	-	1,862
Instructional Staff Training	2,330	6,768	-	9,098
Instructional Related Technology	123,767	-	-	123,767
Board	276,866	646	-	277,512
School Administration	925,158	2,907	-	928,065
Fiscal Services	159,597	-	-	159,597
Food Services	-	383,730	-	383,730
Student Transportation	10,451	-	-	10,451
Operation of Plant	787,371	23,740	-	811,111
Maintenance of Plant	47,014	-	-	47,014
Community Service	84,131	-	-	84,131
Fixed Capital Outlay:				
Facilities Acquisition & Construction	5,250,000	-	-	5,250,000
Other Capital Outlay	190,726	9,947	-	200,673
Debt Service:				
Principal	118,484	-	168,686	287,170
Interest & Fiscal Charges	-	-	248,069	248,069
Total Expenditures	11,062,025	1,491,618	416,755	12,970,398
Excess/(Deficiency) of Revenues				
Over Expenditures	(2,963,377)	34,914	-	(2,928,463)
Other Financing Sources (Uses):				
Transfers In/(Out)	34,914	(34,914)	-	-
Total Other Financing Sources (Uses)	34,914	(34,914)	-	-
Net Change in Fund Balances	(2,928,463)	-	-	(2,928,463)
Fund Balances, July 1, 2023	1,766,058	-	-	1,766,058
Fund Balances, June 30, 2024	\$ (1,162,405)	\$ -	\$ -	\$ (1,162,405)

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

PALM BAY EDUCATION GROUP, INC.

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2024**

Net Change in Fund Balances - Governmental Funds \$ (2,928,463)

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

Capital outlays are reported in governmental funds as expenditures.

However, in the statement of activities, the cost of those assets is
allocated over their estimated useful lives as depreciation/amortization expense.

Capital Outlays	5,450,673	
Depreciation/Amortization Expense	<u>(1,470,032)</u>	3,980,641

The repayment of principal of long-term debt is an expenditure in
the governmental funds, but the repayment reduces long-term
debt in the statement of net position.

287,170

Net effect of various transactions in the statement of activities that
do not require the use of current financial resources are not
reported in the governmental funds:

Pension Expense (calculated for net pension liability)	(1,186,503)
Pension contributions made subsequent to the pension liability measurement date of 6/30/23	<u>337,476</u>

Change in Net Position - Governmental Activities \$ 490,321

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

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Palm Bay Education Group, Inc. (“Organization”), is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, and the Florida Not-For-Profit Corporation Act. It operates three charter schools (Palm Bay Preparatory Academy, Palm Bay Preparatory Elementary Academy, and Central High School) under separate charters of the sponsoring school district, the District School Board of Bay County. The governing body of the Organization is the not-for-profit corporation Board of Directors, which is comprised of five members.

The general operating authority of the Organization is contained in Section 1002.33, Florida Statutes. The Organization operates under charter agreements of the sponsoring school district, the District School Board of Bay County, Florida, (“District”). At the end of the term of each charter agreement, the District may choose not to renew the charters under grounds specified in the charters. In this case, the District are required to notify the Organization in writing at least 90 days prior to the charter’s expiration. During the term of each charter, the District may also terminate the charters if good cause is shown. In the event of termination of the charters, the District shall assume operation of the School(s). The Organization’s charter schools are considered component units of the District; therefore, for financial reporting purposes, the Organization 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 which should be reported within the Organization'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 provides for identification of any entities for which the Organization is financially accountable and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the Organization.

➤ **Basis of Presentation**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net position and the statement of activities, present information about the Organization as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the Organization’s governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Organization.

Fund Financial Statements - Fund financial statements report detailed information about the Organization in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements. The Organization's major governmental funds are as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.
- Special Revenue Fund – to account for Federal grant programs and food service operations.
- Capital Projects Fund – to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays.

➤ Basis of Accounting

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

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Organization considers revenues to be available if they are collected within 30 days of the end of the current fiscal year. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State, and other grant resources, revenue is recognized at the time the expenditure is made. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

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and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation/amortization, are not recognized in governmental funds.

➤ **Cash and Cash Equivalents**

Cash and cash equivalents are defined as demand deposits, money market accounts, and short-term investments with original maturities of eight months or less from date of acquisition. The Organization considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents. Cash deposits consist of demand deposits with financial institutions. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company up to \$250,000.

➤ **Capital Assets**

Expenditures for capital assets acquired or constructed for general school purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net position but are not reported in the governmental fund financial statements. Capital assets are defined by the Organization as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at fair value at the date of donation.

Capital assets are depreciated/amortized the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 years
Buildings & Fixed Equipment	20 years
Improvements	10 years
Leased Asset - Building	5 years

Current-year information relative to changes in capital assets is described in a subsequent note.

➤ **Pensions**

As the government-wide statement of net position, liabilities are recognized for the Organization's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan and additions/deductions from the FRS and the HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The Organization's retirement plans and related amounts are described in subsequent notes to the financial statements.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

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➤ **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(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The Organization 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(s) and so will *not* be recognized as an inflow of resources (revenue) until then. The Organization does not have any items that qualify for reporting in this category.

➤ **Noncurrent Liabilities**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Capital improvement debt is reported net of unamortized discount. The Organization amortizes debt discounts over the life of the debt using the straight-line method. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Net Position and Fund Balance Classification**

Government-wide Financial Statements

Net Position are classified and reported in three components:

- Net Investment in Capital Assets – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted Net Position – consists of net position with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted Net Position – all other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Financial Statements

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All

PALM BAY EDUCATION GROUP, INC.

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nonspendable fund balances at year end relate to assets that are in nonspendable form.

- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the Organization’s Board of Governance.
- Assigned – fund balance that is intended to be used by the Organization’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the Organization’s general fund and includes all spendable amounts not contained in the other classifications.

➤ Order of Fund Balance Spending Policy

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

➤ Revenue Sources

Revenues for current operations are received primarily from the local school district pursuant to the funding provisions included in the individual School charters. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, each School reports the number of full-time equivalent students and related data to the local school district.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program (FEFP). Funding is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent students (FTE) reported by the Schools during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of each School’s compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature.

PALM BAY EDUCATION GROUP, INC.

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Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2024, the Organization's schools reported 618.31 unweighted FTE and 649.68 Weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The Organization receives Federal or state 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 or state 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 Organization receives state funds through the Districts under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. Funds are based upon a capital outlay plan submitted to the Districts and are to be used for lease, rent or construction of school facilities. The Organization also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The Organization follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

➤ **Income Taxes**

The Organization is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to financial statements. The Organization's income tax returns for the past three years are subject to examination by tax authorities and may change upon examination.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net position and affect revenues and expenditures for the period presented. Actual results could differ from those estimates.

➤ **Subsequent Events**

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure

2. CASH DEPOSITS

Custodial Credit Risk – Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Organization’s deposits may not be returned to the Organization. The Organization does not have a custodial credit risk policy. All cash deposits are held in banks that qualify as public depositories under Florida law. All such deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida’s multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

3. RESTRICTED ESCROW ACCOUNT

The restricted cash account of \$547,021 is maintained by Centennial Bank and is to be used for the construction of the educational facility and the renovation of the kitchen in the educational facility.

4. DUE FROM OTHER AGENCIES

The amounts Due from Other Agencies included in the accompanying statement of net position and balance sheet – governmental funds consist of amounts due from the District for grant expenditures awaiting reimbursement from the Bay County District School Board. These receivables are considered to be fully collectible and as such, no allowance for uncollectible accounts has been established.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At June 30, 2024, the Special Revenue Fund owed the General Fund \$405,794 for grant expenditures awaiting reimbursement. The amounts of interfund receivables and payables are netted together and not reported in the statement of net position.

The General Fund transferred \$34,914 to the Special Revenue Fund to provide financial support for Food Service operations. The amounts of interfund transfers are netted together and not reported in the statement of activities.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

6. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Governmental Activities:</u>				
Land	\$ 1,505,200	\$ -	\$ -	\$ 1,505,200
Construction in Progress	1,815,661	-	(1,815,661)	-
Buildings & Fixed Equipment	17,334,204	6,096,671	-	23,430,875
Improvements	211,229	1,121,206	-	1,332,435
Furniture, Fixtures and Equipment	986,677	48,457	-	1,035,134
Leased Asset - Building	674,587	-	(180,605)	493,982
Total Capital Assets	<u>22,527,558</u>	<u>7,266,334</u>	<u>(1,996,266)</u>	<u>27,797,626</u>
Less Accumulated Depreciation/Amortization for:				
Buildings & Fixed Equipment	(2,960,731)	(1,147,182)	-	(4,107,913)
Improvements	(53,924)	(63,582)	-	(117,506)
Furniture, Fixtures and Equipment	(597,522)	(178,256)	-	(775,778)
Leased Asset - Building	(172,627)	(81,012)	180,605	(73,034)
Total Accumulated Depreciation/Amortization	<u>(3,784,804)</u>	<u>(1,470,032)</u>	<u>180,605</u>	<u>(5,074,231)</u>
Governmental Activities Capital Assets, net	<u>\$ 18,742,754</u>	<u>\$ 5,796,302</u>	<u>\$ (1,815,661)</u>	<u>\$ 22,723,395</u>

All depreciation/amortization expense was shown as unallocated on the Statement of Activities.

7. LOAN PAYABLE

The Organization has a \$3,250,000 loan payable due to GAC Contractors, Inc. (GAC) related to a legal settlement, for release of further litigation by GAC and its subcontractors. The Organization signed a note on August 16, 2023, due June 30, 2025 and bears an interest rate of 6% per annum. The Organization entered into a contract in March 2019 to restore the Organization's educational facility. The Organization directed GAC (and its subcontractors) to perform additional work on the facility. Payment and other disputes related to the contract arose. GAC agrees to assist the Organization with any documentation needed for the Organization to complete the FEMA grant application process. If the FEMA grant application is pending but not yet paid GAC agrees for a reasonable extension of the note (not to exceed 12 months).

8. LINE OF CREDIT

The Organization has established a line of credit of \$250,000 with Centennial Bank. The Organization received an advance from the line of credit in the 2023-24 fiscal year of \$64,755. The Organization repaid the advance in full for \$64,755. The line of credit available is in the amount of \$250,000 and there is no outstanding balance as of June 30, 2024.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

9. CONSTRUCTION CONTRACT COMMITMENTS AND RETAINAGE PAYABLE

The following is a schedule of major construction contract commitments at June 30, 2024:

<u>Project</u>	<u>Contract Amount</u>	<u>Completed to Date</u>	<u>Balance Committed</u>
Palm Bay Prep Hurricane Repairs and additions to School Facility:			
GAC Contractors, Inc.	\$ 467,274	\$ 467,274	\$ -
Palm Bay Charter Soccer Field - Culpepper Construction Co. Inc.	1,553,253	968,990	584,263
Palm Bay Charter K-8 School Gym - DAG Architects	<u>379,397</u>	<u>379,397</u>	<u>-</u>
Total	<u>\$ 2,399,924</u>	<u>\$ 1,815,661</u>	<u>\$ 584,263</u>

10. NOTES PAYABLE

Notes payable outstanding for the Organization consisted of the following:

<u>Notes Payable:</u>	<u>Balance at 6-30-24</u>
<u>Centennial Bank</u>	
\$4,664,570 Balloon Note bearing an interest rate of 5.27% per annum maturing September 29, 2024. The borrower shall pay \$36,085 monthly. The total outstanding principal balance of \$4,068,537, plus accrued unpaid interest and unpaid fees and expenses, if any are due and payable on September 29, 2024.	\$ 4,121,526
<u>Department of Homeland Security Federal Emergency Management Agency Community Disaster Loan FEMA</u>	
\$1,606,031 Note was signed in November, 2019. The first draw was May 2021. The school is not required to repay the loan until 5 years after the date of the promissory note. The principal and interest may be forgiven under the Stafford Disaster Relief and Emergency Assistance Act at the sole discretion of the government. The original draw of \$280,465 has been forgiven. An amount of \$1,323,310 was received during the 2022-2023 fiscal year.	<u>1,323,310</u>
Total Notes Payable	<u>\$ 5,444,836</u>

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

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Amounts due for the notes payable follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2025	\$ 4,176,791	\$ 4,121,526	\$ 55,265
2026	-	-	-
2027	1,323,310	1,323,310	-
Total	<u>\$ 5,500,101</u>	<u>\$ 5,444,836</u>	<u>\$ 55,265</u>

11. LONG-TERM LEASE PAYABLE

Palm Bay Education Group, Inc., entered into an operating lease for its new educational facility with CACPC, LLC, beginning August 1, 2017, through July 31, 2020. On June 25, 2020, another lease for the space was written beginning August 1, 2020, through July 31, 2024. On January 15, 2024, another lease for the space was written beginning August 1, 2024, through July 31, 2028. The fair value of the leased asset is \$493,982. Amortization of the leased asset recorded under this lease is included with depreciation/amortization expense in the accompanying financial statements.

Future minimum lease payments and the present value of the minimum lease payments as of June 30 are as follows:

Fiscal Year Ending June 30	Total	Principal	Interest
2025	\$ 106,141	\$ 87,061	19,080
2026	111,448	96,945	14,503
2027	117,020	107,606	9,414
2028	122,871	119,098	3,773
2029	10,281	10,238	43
Total	<u>\$ 467,761</u>	<u>\$ 420,948</u>	<u>\$ 46,813</u>

The imputed interest rate is 6 percent.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

12. CHANGES IN LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ 5,650,994	\$ -	\$ (206,158)	\$ 5,444,836	\$ 4,121,526
Long-Term Lease Payable	501,960	-	(81,012)	420,948	87,061
Net Pension Liability	3,073,523	459,275	-	3,532,798	-
Total Governmental Activities	<u>\$ 9,226,477</u>	<u>\$ 459,275</u>	<u>\$ (287,170)</u>	<u>\$ 9,398,582</u>	<u>\$ 4,208,587</u>

13. FUNDING AND CREDIT RISK CONCENTRATIONS

The Organization receives substantially all of its support and revenue from Federal, state and local funding sources, passed through the District, in the form of performance and budget-based contracts. Continuing operation of the Organization is greatly dependent upon the continued support of these governmental agencies.

14. SCHEDULE OF STATE REVENUE SOURCES

The following is a schedule of the Organization’s State revenue:

Source	Amount
Florida Education Finance Program	\$ 4,132,895
Categorical Programs:	
Class Size Reduction	598,821
Charter School Capital Outlay	367,448
Miscellaneous	32,567
Total State Revenue	<u>\$ 5,131,731</u>

As provided in the charter school contracts, the local school district charged administrative fees totaling \$206,946.

15. FLORIDA RETIREMENT SYSTEM (FRS) – Defined Benefit Pension Plans

General Information about the Florida Retirement System (FRS)

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the HIS Program, a cost-sharing multiple-employer defined benefit pension plan to assist retired members of any State-administered retirement system in paying the costs of health insurance.

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Essentially all regular employees of the Organization are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of two cost-sharing multiple-employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site (www.dms.myflorida.com).

The Organization's FRS and HIS pension expense totaled \$1,186,503 for the fiscal year ended June 30, 2024.

FRS Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a DROP for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Employees enrolled in the Plan may include up to 4 years of credit for military service toward creditable service. The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS-participating employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

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fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on retirement plan and/or the class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age/Years of Service</u>	<u>% Value</u>
Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions. The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates during the 2023-24 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	13.57
FRS, Reemployed Retiree	(2)	(2)

Notes: (1) Employer rates include 2.00 percent for the postemployment health insurance subsidy and the assessment of 0.06 percent for administrative costs of the Investment Plan.

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

The Organization's contributions to the Plan totaled \$275,541 for the fiscal year ended June 30, 2024.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2024, the Organization reported a liability of \$2,113,597 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Organization's proportionate share of the net pension liability was based on the Organization's 2022-23 fiscal year contributions relative to the total 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the Organization's proportionate share was .005304308 percent, which was a decrease of .00047264 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the Organization recognized pension expense of \$532,548. In addition, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 198,451	\$ -
Change of assumptions	137,780	-
Net difference between projected and actual earnings on FRS Plan investments	88,269	-
Changes in proportion and differences between Organization FRS contributions and proportionate share of contributions	214,295	354,673
Organization FRS contributions subsequent to the measurement date	275,541	-
Total	<u>\$ 914,336</u>	<u>\$ 354,673</u>

The deferred outflows of resources related to pensions totaling \$275,541, resulting from Organization contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ 57,854
2025	(22,921)
2026	347,150
2027	32,976
2028	9,441
Thereafter	-

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

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Actuarial Assumptions. The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Investment rate of return	6.70 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation (1)</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate (Property)	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
Total	<u>100%</u>			
Assumed inflation - Mean			2.4%	1.4%

Note: (1) As outlined in the Plan's investment policy.

Discount Rate. The discount rate used to measure the total pension liability was 6.7 percent. 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. The discount rate used in the 2023 valuation remained 6.7 percent.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 6.7 percent, as well

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

as what the Organization’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.7 percent) or 1 percentage point higher (7.7 percent) than the current rate:

	1% Decrease (5.7%)	Current Discount Rate (6.7%)	1% Increase (7.7%)
Organization's proportionate share of the net pension liability	\$ 3,610,457	\$ 2,113,597	\$ 769,930

Pension Plan Fiduciary Net Position. Detailed information about the Plan’s fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

HIS Pension Plan

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2024, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which can include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2024, the contribution rate was 2.00 percent of payroll pursuant to Section 112.363, Florida Statutes. The Organization contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which HIS payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

The Organization’s contributions to the HIS Plan totaled \$61,935 for the fiscal year ended June 30, 2024.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2024, the Organization reported a net pension liability of \$1,419,201 for its proportionate share of the net pension liability. The current portion of the net pension liability is the Organization’s proportionate share of benefit payments expected to be paid within one year, net of the Organization’s

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

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proportionate share of the HIS Plan’s fiduciary net position available to pay that amount. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Organization’s proportionate share of the net pension liability was based on the Organization’s 2022-23 fiscal year contributions relative to the total 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the Organization’s proportionate share was .008936276 percent, which was an increase of .000212004 percent from its proportionate share measured as of June 30, 2022.

For the fiscal year ended June 30, 2024, the Organization recognized pension expense of \$653,955. In addition, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,777	\$ 3,331
Change of assumptions	37,310	122,978
Net difference between projected and actual earnings on FRS Plan investments	733	-
Changes in proportion and differences between Organization FRS contributions and proportionate share of contributions	185,151	107,825
Organization FRS contributions subsequent to the measurement date	<u>61,935</u>	<u>-</u>
Total	<u><u>\$ 305,906</u></u>	<u><u>\$ 234,134</u></u>

The deferred outflows of resources totaling \$64,935, resulting from Organization contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending June 30</u>	<u>Amount</u>
2024	\$ (11,792)
2025	(7,150)
2026	(11,896)
2027	(23,332)
2028	(12,359)
Thereafter	(961)

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

Actuarial Assumptions. The total pension liability in the July 1, 2023, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, average, including inflation
Municipal bond rate	3.65 percent

Mortality rates were based on the PUB-2010 base table, projected generationally with Scale MP-2018.

While an experience study had not been completed for the HIS Plan, the actuarial assumptions that determined the total pension liability for the HIS Plan were based on certain results of the most recent experience study for the FRS Plan.

Discount Rate. The discount rate used to measure the total pension liability was 3.65 percent. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The discount rate changed from 3.54 percent to 3.65 percent.

Sensitivity of the Organization's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Organization's proportionate share of the net pension liability calculated using the discount rate of 3.65 percent, as well as what the Organization's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.65 percent) or 1 percentage point higher (4.65 percent) than the current rate:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Organization's proportionate share of the net pension liability	\$ 5,750,381	\$ 1,419,201	\$ 1,297,116

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

16. FLORIDA RETIREMENT SYSTEM (FRS) – Defined Contribution Pension Plans

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Organization employees already participating in the State School System Optional Retirement Program

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

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or DROP are not eligible to participate in the Investment Plan. Employer and employee contributions are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Service retirement benefits are based upon the value of the member's account upon retirement. Benefit terms, including contribution requirements, are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contributions rates, that are based on salary and membership class (Regular Class, Senior Management Service Class, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of Investment Plan members. Allocations to the Investment Plan member accounts during the 2023-24 fiscal year were as follows:

<u>Class</u>	<u>Percent of Gross Compensation</u>
FRS, Regular	6.30

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings regardless of membership class. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5 year period, the employee will regain control over their account. If the employee does not return within the 5 year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2024, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Organization.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided in which the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Organization's Investment Plan pension expense totaled \$222,044 for the fiscal year ended June 30, 2024.

PALM BAY EDUCATION GROUP, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2024

17. RISK MANAGEMENT PROGRAMS

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance. There have been no significant reductions in insurance coverage and settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

18. COMMITMENTS AND CONTINGENT LIABILITIES

The Organization participates in state grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the Organization has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivables at June 30, 2024, may be impaired.

In the opinion of the Organization, there are no significant 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.

19. LEGAL MATTERS

In the normal course of conducting its operations, the Organization occasionally becomes party to various legal actions and proceedings. The Organization has no legal actions or pending proceedings in progress.

PALM BAY EDUCATION GROUP, INC.

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND AND SPECIAL REVENUE FUND (UNAUDITED)
For the Fiscal Year Ended June 30, 2024

	General Fund				Special Revenue Fund			
	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
Revenues:								
Intergovernmental:								
Federal Through State and Local State	\$ -	\$ 1,843,865	\$ 1,843,865	\$ -	\$ 933,403	\$ 1,507,374	\$ 1,507,374	\$ -
Local and Other	4,813,786	4,764,283	4,764,283	-	-	-	-	-
Total Revenues	5,256,933	8,098,648	8,098,648	-	959,028	1,526,532	1,526,532	-
Expenditures:								
Current - Education:								
Instruction	2,677,609	2,952,465	2,952,465	-	593,238	909,042	909,042	-
Student Support Services	142,400	125,551	125,551	-	111,818	154,838	154,838	-
Instructional Media	1,429	6,252	6,252	-	-	-	-	-
Instruction & Curriculum Development	1,134	1,862	1,862	-	-	-	-	-
Instructional Staff Training	6,483	2,330	2,330	-	600	6,768	6,768	-
Instructional Related Technology	108,238	123,767	123,767	-	-	-	-	-
Board	350,638	276,866	276,866	-	11,456	646	646	-
School Administration	877,293	925,158	925,158	-	-	2,907	2,907	-
Facilities Acquisition & Construction	6,000	-	-	-	-	-	-	-
Fiscal Services	158,362	159,597	159,597	-	-	-	-	-
Food Services	-	-	-	-	276,619	383,730	383,730	-
Student Transportation	-	10,451	10,451	-	-	-	-	-
Operation of Plant	641,108	787,371	787,371	-	-	23,740	23,740	-
Maintenance of Plant	34,557	47,014	47,014	-	-	-	-	-
Community Service	66,065	84,131	84,131	-	-	-	-	-
Fixed Capital Outlay:								
Facilities Acquisition & Construction	-	5,250,000	5,250,000	-	-	-	-	-
Other Capital Outlay	-	190,726	190,726	-	-	9,947	9,947	-
Debt Service:								
Principal	75,914	118,484	118,484	-	-	-	-	-
Interest & Fiscal Charges	90,006	-	-	-	-	-	-	-
Total Expenditures	5,237,236	11,062,025	11,062,025	-	993,731	1,491,618	1,491,618	-
Excess (Deficiency) of Revenues Over Expenditures	19,697	(2,963,377)	(2,963,377)	-	(34,703)	34,914	34,914	-
Other Financing Sources (Uses):								
Transfers In/(Out)	-	34,914	34,914	-	-	(34,914)	(34,914)	-
Total Other Financing Sources (Uses)	-	34,914	34,914	-	-	(34,914)	(34,914)	-
Net Change in Fund Balances	19,697	(2,928,463)	(2,928,463)	-	(34,703)	-	-	-
Fund Balances, July 1, 2023	1,766,058	1,766,058	1,766,058	-	-	-	-	-
Fund Balances, June 30, 2024	\$ 1,785,755	\$ (1,162,405)	\$ (1,162,405)	\$ -	\$ (34,703)	\$ -	\$ -	\$ -

See Independent Auditor's Report

PALM BAY EDUCATION GROUP, INC.

*Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System*

<u>Fiscal Year Ending June 30:</u>	<u>Proportion of the net pension liability/(asset)</u>	<u>Proportionate share of the net pension liability/(asset)</u>	<u>Covered- employee payroll</u>	<u>Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2023	0.005304308%	\$ 2,113,597	\$ 3,544,832	59.62%	82.38%
2022	0.005776947%	\$ 2,149,485	\$ 3,179,376	67.61%	82.89%
2021	0.006961637%	\$ 525,873	\$ 3,414,688	15.40%	96.40%
2020	0.006353664%	\$ 2,753,772	\$ 3,492,223	78.85%	78.85%
2019	0.006179159%	\$ 2,128,016	\$ 3,251,685	65.44%	82.61%
2018	0.005431283%	\$ 1,635,931	\$ 2,694,605	60.71%	86.87%
2017	0.002008763%	\$ 594,212	\$ 1,091,202	54.45%	87.58%

See Independent Auditor's Report

PALM BAY PREPARATORY ACADEMY

*Schedule of Contributions
Florida Retirement System*

<u>Fiscal Year Ending June 30:</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency/(excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
2024	\$ 275,541	\$ (275,541)	\$ -	\$ 3,663,869	7.52%
2023	\$ 255,172	\$ (255,172)	\$ -	\$ 3,544,832	7.20%
2022	\$ 246,513	\$ (246,513)	\$ -	\$ 3,179,376	7.75%
2021	\$ 265,209	\$ (265,209)	\$ -	\$ 3,414,688	7.77%
2020	\$ 211,104	\$ (211,104)	\$ -	\$ 3,492,223	6.04%
2019	\$ 191,598	\$ (191,598)	\$ -	\$ 3,251,685	5.89%
2018	\$ 154,787	\$ (154,787)	\$ -	\$ 2,694,605	5.74%
2017	\$ 52,293	\$ (52,293)	\$ -	\$ 1,091,202	4.79%

See Independent Auditor's Report

PALM BAY PREPARATORY ACADEMY

*Schedule of Proportionate Share of Net Pension Liability
Health Insurance Subsidy Program*

<u>Fiscal Year Ending June 30:</u>	<u>Proportion of the net pension liability/(asset)</u>	<u>Proportionate share of the net pension liability/(asset)</u>	<u>Covered- employee payroll</u>	<u>Proportionate share of the net pension liability (asset) as a percentage of its covered- employee payroll</u>	<u>Plan fiduciary net position as a percentage of the total pension liability</u>
2023	0.008936276%	\$ 1,419,201	\$ 3,544,832	40.04%	4.12%
2022	0.008724272%	\$ 924,038	\$ 3,179,376	29.06%	4.81%
2021	0.009645529%	\$ 1,183,169	\$ 3,414,688	34.65%	3.56%
2020	0.010047083%	\$ 1,226,731	\$ 3,492,223	35.13%	3.00%
2019	0.009722153%	\$ 1,087,812	\$ 3,251,685	33.45%	2.63%
2018	0.008250056%	\$ 873,195	\$ 2,694,605	32.41%	2.15%
2017	0.003423388%	\$ 366,044	\$ 1,091,202	33.55%	1.64%

See Independent Auditor's Report

PALM BAY PREPARATORY ACADEMY

*Schedule of Contributions
Health Insurance Subsidy Program*

<u>Fiscal Year Ending June 30:</u>	<u>Contractually required contribution</u>	<u>Contributions in relation to the contractually required contribution</u>	<u>Contribution deficiency/(excess)</u>	<u>Covered- employee payroll</u>	<u>Contributions as a percentage of covered- employee payroll</u>
2024	\$ 61,935	\$ (61,935)	\$ -	\$ 3,663,869	1.69%
2023	\$ 58,785	\$ (58,785)	\$ -	\$ 3,544,832	1.66%
2022	\$ 52,789	\$ (52,789)	\$ -	\$ 3,179,376	1.66%
2021	\$ 56,697	\$ (56,697)	\$ -	\$ 3,414,688	1.66%
2020	\$ 57,897	\$ (57,897)	\$ -	\$ 3,492,223	1.66%
2019	\$ 53,986	\$ (53,986)	\$ -	\$ 3,251,685	1.66%
2018	\$ 44,741	\$ (44,741)	\$ -	\$ 2,694,605	1.66%
2017	\$ 18,117	\$ (18,117)	\$ -	\$ 1,091,202	1.66%

See Independent Auditor's Report

PALM BAY EDUCATION GROUP, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

1. BUDGETARY BASIS OF ACCOUNTING

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

2. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS –FLORIDA RETIREMENT SYSTEM PENSION PLAN

Changes of Assumptions. The long-term expected rate of return remained 6.7 percent.

3. SCHEDULE OF NET PENSION LIABILITY AND SCHEDULE OF CONTRIBUTIONS –HEALTH INSURANCE SUBSIDY PENSION PLAN

Changes of Assumptions. The municipal bond rate used to determine total pension liability was increased from 3.54 percent to 3.65 percent.

**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***

Independent Auditor's Report

To the Board of Directors
Palm Bay Education Group, Inc.,

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Palm Bay Education Group, Inc., as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated January 6, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

January 6, 2025
Tampa, Florida

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Board of Directors
Palm Bay Education Group, Inc.,

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Palm Bay Education Group, Inc.'s ("Organization"), compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major Federal programs for the year ended June 30, 2024. The Organization's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's Federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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 GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

January 6, 2025
Tampa, Florida

PALM BAY EDUCATION GROUP, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2024

Federal Grantor/Pass-Through Grantor/Program Title	Assistance Listing Number	Pass - Through Grantor Number	Amount of Expenditures
Clustered			
Child Nutrition Cluster:			
United States Department of Agriculture:			
Florida Department of Agriculture and Consumer Services:			
School Breakfast Program	10.553	21002	\$ 70,909
National School Lunch Program	10.555	21001, 21003	328,577
Total Child Nutrition Cluster			<u>399,486</u>
Not Clustered			
United States Department of Education:			
Bay County District School Board:			
Title I Grants to Local Educational Agencies	84.010	212	312,870
Education Stabilization Fund:	84.425		
Elementary and Secondary School Emergency Relief Fund CRRSA	COVID-19, 84.425D	124	181,349
Elementary and Secondary School Emergency Relief Fund ARP	COVID-19, 84.425U	125	670,042
Total Education Stabilization Fund	84.425		<u>851,391</u>
Total United States Department of Education			<u>1,164,261</u>
United States Department of Homeland Security:			
Florida Division of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	NA	1,529,274
Total United States Department of Homeland Security			<u>1,529,274</u>
Total Expenditures of Federal Awards			<u>\$ 3,093,021</u>

See Independent Auditor's Report.

PALM BAY EDUCATION GROUP, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200
June 30, 2024

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal award activity of the Organization under programs of the Federal government for the year ended June 30, 2024. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Organization has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

PALM BAY EDUCATION GROUP, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – FEDEAL AWARDS
TITLE 2 U.S. CODE OF FEDERAL REGULATIONS PART 200
June 30, 2024

Section I - SUMMARY OF AUDIT RESULTS

As required by Title 2 U.S. Code of Federal Regulations Section 200.515, the following is a summary of the results of the audit of the Palm Bay Education Group, Inc., for the fiscal year ended June 30, 2024:

<u>Financial Statements</u>	<u>Results</u>
Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal Control Over Financial Reporting:	
Material weakness identified?	No
Significant Deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No
<u>Federal Awards</u>	
Internal control over major Federal program:	
Material weakness identified?	No
Significant deficiency identified?	None reported
Type of auditor's report issued on compliance for the major Federal program?	Unmodified
Any audit findings disclosed that are required to be reported under 2 CFR Section 200.516(a)?	No
Identification of major Federal program:	
Assistance Listing Numbers:	
84.425	Education Stabilization Fund
97.036	Disaster Grants - Public Assistance
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

Section III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Section IV– STATUS OF PRIOR YEAR FINDINGS

No matters were reported.