MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Financial Statements
with Independent Auditor's Reports Thereon

June 30, 2026

McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

CONTENTS

	Page
Management's Discussion and Analysis	1 – 6
Independent Auditor's Report	7 – 9
Basic Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Balance Sheet – Governmental Fund	12
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	13
Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund to the Statement of Activities	15
Notes to Financial Statements	16 – 36
Required Supplementary Information:	
Budgetary Comparison Schedule – General Fund	37
Required Supplementary Information – Pension Liability	38 – 39
Note to Required Supplementary Information	40
Report of Independent Auditor's 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*	41 – 43
Additional Information Required by Rules of the Florida Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*:	
Management Letter	44 – 46
Management Response to Findings	47 - 50

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Marco Island Charter Middle School, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2026. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2026, the School's expenditures exceeded revenues by approximately $1.38 million in the fund financial statements.
- As of June 30, 2026, the School's fund balance is approximately $258,000 in the governmental financial statements. This is a decrease of approximately 1.39 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of the School. This document also includes the Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities.*

Government-wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. Net position is the difference between the School's total assets and total liabilities. Measuring the net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities, 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for that are not directly related to the School's mission. For the year ended June 30, 2026, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in a governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting.* This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts an annual budget for its general fund, as required by the Florida Statutes. The budget is legally adopted by management of the School and its Board. A Budgetary Comparison Schedule has been included as part of the required supplementary information. The budgetary comparison schedule shows four columns: 1) the original budget as adopted by the Board, 2) the final budget as amended by the Board, 3) the actual resources, charges and ending balances in the general fund, and 4) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 16 of this report.

Other Reports

This report also includes the Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards,* as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities.*

BALANCE SHEET – GOVERNMENTAL FUNDS

The School's fund balance as of June 30, 2026 and 2025 is summarized as follows:

	Governmental Activities		Increase
	2026	2025	(Decrease)
Current and other assets	$ 410,932	$ 1,829,459	$ (1,418,527)
Total assets	410,932	1,829,459	(1,418,527)
Current and other liabilities	153,234	184,598	(31,364)
Total liabilities	153,234	184,598	(31,364)
Fund Balance:			
Nonspendable	53,064	59,392	(6,328)
Restricted	456,046	456,046	-
Unrestricted	(251,412)	1,129,423	(1,380,835)
Total fund balance	$ 257,698	$ 1,644,861	$ (1,387,163)

The change in total assets is due to an decrease in cash as a result of current year operations. Accounts payable decreased due to the timing of payments. Total fund balance decreased as a result of the current year operations.

Change in Fund Balances

The School's total expenditures exceeded revenues by approximately $1,275,000 in fiscal 2026—see table below.

	Governmental Activities		Increase
	2026	2025	(Decrease)
Revenues:			
Federal sources passed through local school sources	$ 18,450	$ 25,169	$ (6,719)
State and local sources	2,867,656	2,968,489	(100,833)
Contributions and other revenue	338,898	360,992	(22,094)
Total revenues	3,225,004	3,354,650	(129,646)
Expenditures:			
Instruction	2,638,274	2,594,620	43,654
Board	27,595	25,953	1,642
General administration	52,539	50,239	2,300
School administration	1,037,840	1,348,851	(311,011)
Food Services	11,107	-	11,107
Pupil transportation	187,037	128,777	58,260
Operation of plant	563,868	531,361	32,507
Capital outlay	-	446,937	(446,937)
Debt service	93,907	69,874	24,033
Total expenditures	4,612,167	5,196,612	(584,445)
Change in fund balances	$ (1,387,163)	$ (1,841,962)	$ 454,799

Federal sources passed through local school sources slightly due to the federal funds. Revenues from state and local sources decreased due to reduction in student count.

There was an increase in instructional and a decrease in school administrative expenditures.. Operation of plant increased due a increase in facility repairs and maintenance. Capital outlays decreased due to the School decreasing expenses.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The focus of School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental fund reported a fund balance of $257,000 which was a decrease of approximately $1.4 million after other financing sources from the prior year.

General Fund Budgetary Highlights

During the fiscal year, the School did not amend its general fund budget. Generally, budget amendments fall into one of the three categories: 1) amendments made to adjust the estimates used to prepare the original budget once exact information is available, 2) amendments made to recognize changes in funding amounts; and 3) changes in appropriations necessary to maintain services.

For the year ended June 30, 2026, actual revenues were less than budgeted amounts by approximately 1.3 million. Actual expenditures were approximately 31,000 more than budgeted, costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2026, the School's investment in capital assets was $375,425 net of accumulated depreciation of $756,557.

As of June 30, 2026 and 2025 information regarding the School's capital assets is as follows:

	Governmental Activities		Increase
	2026	2025	(Decrease)
Land improvements	$ 28,230	$ 28,230	$ -
Furniture, fixtures, equipment	656,815	656,815	-
Vehicles	446,937	446,937	-
Total capital assets	$ 1,131,982	$ 1,131,982	$ -

More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights for the Fiscal Year Ending June 30, 2027

Amounts available for appropriation in the general fund are expected to be $3.6 million. This is a $400,000 increase than the current fiscal year. Budgeted expenditures are expected to be approximately $1 million less than the actual fiscal 2026 amount. If both of these goals are achieved, total fund balance should increase this year.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 1401 Trinidad Avenue, Marco Island, FL 34145

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Marco Island Charter Middle School, Inc.
A Charter School and Component Unit of the District
School Board of Collier County, Florida

Opinions

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Marco Island Charter Middle School, Inc. (the "School"), a Charter School and Component Unit of the District School Board of Collier County, Florida as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Marco Island Charter Middle School, Inc. a Charter School and Component Unit of the District School Board of Collier County, Florida as of and for the year ended June 30, 2026, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2026, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

McCrady & Associates, PLLC

Altamonte Springs, Florida
August 30, 2026

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC

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

Statement of Net Position

June 30, 2026

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 266,782
Due from other agencies	23,683
Other assets	96,784
Capital assets:	
Furniture, fixtures and equipment	633,491
Land improvements	51,554
Vehicles	446,937
Less accumulated depreciation	(756,557)
Total capital assets, net	375,425
Total assets	$ 762,674
DEFERRED OUTFLOW OF RESOURCES	
Amount deferred on pension liability	$ 425,242
LIABILITIES	
Accounts payable and accrued expenses	129,551
Long-term liability:	
Portion due or payable within one year:	
Note payable	67,713
Portion due or payable after one year:	
Note payable	264,257
Pension liability	1,259,284
Total liabilities	1,720,805
DEFERRED INFLOW OF RESOURCES	
Amount deferred on pension liability	601,434
NET POSITION	
Invested in capital assets, net of related debt	43,455
Restricted:	
Capital projects	456,046
Unrestricted	(1,633,824)
Total net position	(1,134,323)
Total Liabilities and Net Position	$ 1,187,916

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

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Statement of Activities

For the Year Ended June 30, 2026

		Program Specific Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	$ 2,458,862	$ -	$ 18,450	$ -	$ (2,440,412)	$ (2,440,412)
Board	27,595	-	-	-	(27,595)	(27,595)
General administration	52,539	-	-	-	(52,539)	(52,539)
School administration	986,785	-	-	-	(986,785)	(986,785)
Food services	11,107	-	-	-	(11,107)	(11,107)
Pupil transportation services	231,731	-	-	-	(231,731)	(231,731)
Operation of plant	563,868	-	-	-	(563,868)	(563,868)
Interest	32,902	-	-	-	(32,902)	(32,902)
Total primary government	$ 4,365,389	$ -	$ 18,450	$ -	$ (4,346,939)	$ (4,346,939)
General revenues:						
State and local sources					$ 2,867,656	$ 2,867,656
Contributions and other revenues					338,898	338,898
Total general revenues					3,206,554	3,206,554
Changes in net position					(1,140,385)	(1,140,385)
Net position at beginning of year					6,062	6,062
Net position at end of year					$ (1,134,323)	$ (1,134,323)

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

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Balance Sheet - Governmental Fund

June 30, 2026

	General Fund	Other Governmental Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 266,782	$ -	$ 266,782
Due from other agencies	-	23,683	23,683
Other assets	96,784	-	96,784
Due from Other Governmental Fund	23,683	-	23,683
Total assets	$ 387,249	$ 23,683	$ 410,932
LIABILITIES			
Accounts payable and accrued expenses	$ 129,551	$ -	$ 129,551
Due to General Fund	-	23,683	23,683
Total liabilities	129,551	23,683	153,234
FUND BALANCE			
Nonspendable:			
Prepaid expenses	33,064	-	33,064
Other real estate asset	20,000	-	20,000
Restricted:			
Capital projects	456,046	-	456,046
Spendable:			
Unassigned	(251,412)	-	(251,412)
Total fund balance	257,698	-	257,698
Total liabilities and fund balance	$ 387,249	$ 23,683	$ 410,932

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

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

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

June 30, 2026

Total fund balance - governmental fund	$	257,698
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets and accumulated depreciation at year end consisted of:		
Capital assets		1,131,982
Accumulated depreciation		(756,557)
Long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at the end of the period consist of:		
Note payable		(331,970)
Pension liability		(1,259,284)
Deferred amounts are reported in the Statement of Net Position as deferred outflows or deferred inflows of resources but are not reported in the general fund.		(176,192)
Total net position - governmental activities	$	(1,134,323)

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

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Fund

For the Year Ended June 30, 2026

	General Fund	Other Governmental Fund	Total Governmental Funds
REVENUES			
Federal sources passed through local schoc	$ -	$ 18,450	$ 18,450
State and local sources	2,867,656	-	2,867,656
Contributions and other revenues	338,898	-	338,898
Total revenues	3,206,554	18,450	3,225,004
EXPENDITURES			
Current:			
Instruction	2,619,824	18,450	2,638,274
Board	27,595	-	27,595
General administration	52,539	-	52,539
School administration	1,037,840	-	1,037,840
Food services	11,107	-	11,107
Pupil transportation services	187,037	-	187,037
Operation of plant	563,868	-	563,868
Debt service			
Pincipal	-	61,005	61,005
Interest	-	32,902	32,902
Total expenditures	4,499,810	112,357	4,612,167
Excess (deficiency) of revenue over expenditures	(1,293,256)	(93,907)	(1,387,163)
OTHER FINANCING SOURCES (USES)			
Operating transfer in	-	93,907	93,907
Operating transfer out	(93,907)	-	(93,907)
Total other financing sources	(93,907)	93,907	-
Net changes in fund balances	(1,387,163)	-	(1,387,163)
Fund balance at beginning of year	1,644,861	-	1,644,861
Fund balance at end of year	$ 257,698	$ -	$ 257,698

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

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balance of Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2026

Net change in fund balances - total governmental funds	$	(1,387,163)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amounts incurred in the current period:		
Depreciation expense		(62,312)
In the Statement of Activities, some revenues and expenses are recognized that do not provide current financial resources and are not recognized in the governmental funds, such as deferred inflows outflows of resources.		248,085
Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.		
Notes payable		61,005
Change in net position of governmental activities	$	(1,140,385)

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

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Notes to Financial Statements

For the Year Ended June 30, 2026

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Marco Island Charter Middle School, Inc. (the "School") is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes and the Florida Not-for-Profit Corporation Act. The governing body of the School is the not-for-profit corporation Board of Directors (the "Board"), which is composed of five members.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Collier County, Florida (the "School Board"). The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB").

Charter Contract

The School operates under a charter granted by the School Board. The current charter expires on June 30, 2026 and may be renewed for a maximum of an additional fifteen years, unless a longer term is required by law, by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the Florida Department of Education (" FDOE").

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to a private-sector business. The statement of net position and statement of activities are designed to provide financial information about the School as a whole on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are major individual governmental funds reported in the fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the School, except those that are required to be accounted for in another fund.
- Special Revenue Fund – to account for the proceeds of specific revenue sources restricted or committed to expenditures for a specific purpose.

For the purpose of these statements, the general fund is considered the major fund. The special revenue fund is non-major and reported in Other Governmental Funds.

Basis of Accounting

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

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

The governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from the acquisition of long-term debt are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted 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 balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Cash and Cash Equivalents

The School's cash consists of demand deposits, certificates of deposits and money market accounts with financial institutions.

The School's policy require, all deposits must be made into and held by financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by the institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the ability of the institution to guarantee deposits made by members of the pool should the need arise. The School also has deposits in institutions that are not qualified public depositories. These funds are fully insured by the FDIC as they fall under the mandatory insurance limits of $250,000.

Interfund Receivables and Payables

Activities between the funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds.

Other Receivables

The special revenue fund includes a due to the general fund of $23,683. Other Receivables consist of amounts due from governmental agencies for various programs.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date donated. The School capitalizes assets with a cost of $750 or more. Expenditures of normal maintenance and repair that do not add to the asset value or extend the useful life are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	Years
Furniture, fixtures, and equipment	5
Land improvements	10

Information related to the change in capital assets is described in Note 3.

Pensions

In the government-wide statement of net position, liabilities are recognized for the School'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 to/deductions from the FRS's and the HIS's 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 School's retirement plans and related amounts are described in Note 5.

Long-Term Liabilities

Long-term liabilities 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.

Net Position and Fund Balance Classifications

Government-wide financial statements

The net position is classified and reported in three components:

- Investment in capital assets, net of related debt – 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 – consists of amounts with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments.
- Unrestricted – all other amounts that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund financial statements

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

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in 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 School's Board of Governance.
- Assigned – fund balance that is intended to be used by the School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

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

Order of Fund Balance Spending Policy

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports 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 school has one item that qualifies for reporting in this category which is the deferred amount on pension reported in the government-wide statement of net position. The deferred outflows of resources related to pensions are discussed in a subsequent note.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School has one item, which arise only under a modified accrual basis of accounting, that qualify for reporting in this category, which is the deferred amount on pension reported in the government-wide statement of net position. A deferred amount on pension results from the difference in the expected and actual amounts of experience, earnings and contributions. This amount is deferred and amortized over the service life of all employees that are provide with pensions through the pension plan except earnings which are amortized over 5 years.

Revenue Sources

Revenues for operations are received primarily from the School Board pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.33, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School Board. The School Board receives a 2% administrative fee from the School, which is withheld from the respective Florida Education Finance Program ("FEFP") payments. The administrative fee is 2% as opposed to 5% because the school is considered a high performing school. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental fund. The administrative fee is calculated on the FEFP revenue up to 250 students.

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

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. 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 year ended June 30, 2026, the School reported 263.67 unweighted FTE.

Recently Issued Accounting Pronouncements

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*. This pronouncement establishes a definition for SBITAs and provides guidance for accounting and financial reporting for transactions that meet that definition. Under this pronouncement, a school is required to recognize an intangible right-to-use subscription asset and corresponding subscription liability, thereby enhancing the relevance and consistency of information about a school's activities. The cumulative effect of any changes implemented to conform to this pronouncement would be reported as a restatement of beginning net position and fund balance. The original effective implementation date was reporting periods beginning after June 15, 2021. However, GASB Statement No. 95 postponed the implementation of this statement to be effective for reporting beginning after June 15, 2025. Currently, the School is not engaged in any software subscription services but is aware of the adoption of this Statement.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This pronouncement requires liabilities relates to compensated absences recognized for 1) leave that has not been used and 2) leave that has not been used but not yet paid in cash or settled through non- cash means and includes but is not limited to vacation, sick leave, and paid time off (PTO). This statement establishes standards of accounting and financial reporting for compensated absences and other associated salary-related payments such as certain defined contribution pensions. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies. This statement also provides guidance for measuring this liability. A liability for leave that has been used but not yet paid or settled should be measured at the employee's pay rate as of the date of the financial statements or the amount of the cash or non-cash amount settled. This statement also allows governments to disclose only the net change in the liability and are no longer required to disclose which governmental funds typically have been used to liquidate the liability. This statement applies to all financial statements of all state and local governments. The required effective date for this statement is for fiscal years beginning after December 15, 2026, and all reporting periods thereafter. Early application is encouraged. The School has included a liability for compensated absences in accrued expenses which is consistent with Statement No.101 in previous years as well as in these financial statements. See Note 7 for more information on the school's policies and procedures regarding compensated absences.

2 FAIR VALUE MEASUREMENTS

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

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

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

The estimated fair value of the School's pension liability and related deferred outflows and inflows determined using Level 3 inputs is based on information provided by the Auditor General. The estimated fair value of the School's pensions and related deferred outflows and inflows using Level 3 inputs is determined by calculating the present value of the future distributions expected to be paid, using published life expectancy tables and discount rates ranging from approximately 3% to 7.6%. There were no changes in valuation techniques during the year.The carrying values of cash and cash equivalents and cash restricted for long-term purposes do not differ materially from reasonable estimates of fair value, as the terms of such instruments do not vary significantly from the assumptions that would be made in estimating fair value. As such, these assets are considered level 3.

Estimated fair value of certain assets and (liabilities) measured on a recurring basis at June 30, 2026, are as follows:

	Level 1	Level 2	Level 3	Total
Deferred outflows related to pension liability	$ -	$ -	$ 425,242	$ 425,242
Pension liability	-	-	(1,259,284)	(1,259,284)
Deferred inflows related to pension liability	-	-	(601,434)	(601,434)
Total	$ -	$ -	$ (1,435,476)	$ (1,435,476)

3 DUE FROM OTHER AGENCIES

Due from other agencies included in the accompanying financial statements primarily consists of reimbursements from the School Board for expenses in the amount of $23,683. Based on the source of these funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

4 CAPITAL ASSETS

Capital asset activity during the year ended June 30, 2026 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furniture, fixtures and equipment	$ 656,815	$ -	$ -	$ 656,815
Vehicles	446,937	-	-	446,937
Land improvements	28,230	-	-	28,230
Total capital assets	$ 1,131,982	$ -	$ -	1,131,982
Accumulated Depreciation				
Furniture, fixtures, equipment, and vehicles	632,495	17,618	-	650,113
Vehicles	33,520	44,694	-	78,214
Land improvements	28,230	-	-	28,230
Total accumulated depreciation	694,245	62,312	-	756,557
Capital assets, net	$ 437,737	$ (62,312)	$ -	$ 375,425

Governmental activities:	
Instructional	$ 14,094
School administration	3,524
Transportation	44,694
Total governmental activities depreciation expense	$ 62,312

SCHOOL FACILITY AND CAPITAL ASSETS

The School Board completed the construction of a permanent School facility as of June 30, 2007. The School Board also purchased the related capital assets, including but not limited to student desks, workstations, audio visual equipment and lockers, which will remain the property of the School Board. The School Board retains the title to the school building and facility. No rental or leasing fee is being charged by the School Board to the School. Administrators of the School and

the School Board believe that considerable uncertainty exists regarding the valuation of facilities utilized by the School.

In management's opinion, the value of facilities utilized by the School is significant; therefore, any substantial changes in this arrangement with the School Board could have a material effect on the School's operations.

5 LOAN PAYABLE

During fiscal year 2025, the School entered into a equipment financing agreement with KS State Bank in the amount of $437,187.

The agreement provided for a fixed at a rate of 8.46% per annum for 72 months. As of June 30, 2026, the loan requires monthly principal and interest payments in the amount of approximately $7,764 and matures September 2030.

Total long-term debt	$ 331,970
Less: portion due or payable within one year	67,713
Portion due or payable after one year	$ 264,257

Balance outstanding at the beginning of year	$ 392,975
Additions	-
Reductions	(61,005)
Balance outstanding at the end of year	$ 331,970

Interest paid during the year ended June 30, 2026 totaled approximately $29,000.

Future minimum payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2027	$ 67,713	$ 25,452	$ 93,165
2028	73,666	19,499	93,165
2029	80,141	13,024	93,165
2030	87,186	5,979	93,165
2031	23,264	323	23,587
	$ 331,970	$ 64,277	$ 396,247

The above payment schedule is based on interest rate of approximately 8.46%.

6 RETIREMENT PLANS

Reporting Entity

The Florida Department of Management Services, Division of Retirement (division), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (system). For the fiscal year ended June 30, 2026, the division administered two cost-sharing, multiple employer defined benefit plans, one single employer defined benefit plan, two defined contribution plans, a supplemental funding of defined benefit plans for municipal police officers and firefighters, and various general revenue funded pension programs. The division issued a publicly available, audited annual comprehensive financial report (ACFR) on behalf of the system that includes financial statements, notes and required supplementary information for each of the pension plans. Detailed information about the plans is provided in the ACFR, which is available online, or by contacting the division.

Cost-Sharing Defined Benefit Plans

As required by Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), this report includes the allocation of the collective net pension liability and associated pension expense, deferred outflows of resources and deferred inflows of resources for each of the participating employers in the system's cost-sharing, multiple employer defined benefit plans:

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

The Retiree Health Insurance Subsidy (HIS) Program is a non-qualified, cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes. The Florida Legislature establishes and amends the contribution requirements and benefit terms of the HIS Program. The benefit is a monthly payment to assist eligible retirees and surviving beneficiaries of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2026, retirees and beneficiaries

received a monthly HIS payment equal to the number of years of creditable service completed at the time of retirement multiplied by $7.50. The payments are at least $45 but not more than $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.

Approximately 1,000 participating employers are served by the two defined benefit plans. Of these, more than 900 employers, referred to as reporting employers, report payroll and remit contributions to the division for their covered employees and, in some cases, for the covered employees of associated participating employers.

Basis of Accounting

Employers participating in the FRS Pension Plan and HIS Program are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB 68. The Schedules of Employer Allocations and Schedules of Pension Amounts by Employer (pension allocation schedules) and notes to the schedules, along with the system's ACFR, provide employers with the required information for reporting.

The underlying financial information used to prepare the pension allocation schedules is based on the system's records. The financial statements for the cost-sharing defined benefit plans are prepared using the flow of economic resources measurement focus and the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States. The system's financial statements are available online or by contacting the Division. There have been no significant changes since the publication of the financial statements.

Employer Contributions

Contributions are recognized as revenue in the period for which the contributions are due pursuant to statutory and contractual requirements. Employee contributions required pursuant to section 121.71(3), Florida Statutes, are accounted for by the FRS as employer-paid employee contributions and are treated as employer contributions under 26 U.S.C. s. 414(h)(2) allowing these contributions to be deducted on a pre-tax basis. Pension expense reported in the pension allocation schedules is reduced by these amounts.

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

Use of Estimates

The preparation of these schedules, and the associated financial statements, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources and changes therein, including appropriate disclosures at the date of the financial statements. Actual results could differ from those estimates.

Net Pension Plan's Fiduciary Net Position

The components of the collective fiduciary's net position liability of the participating employers for each defined benefit plan for the measurement date of June 30, 2026 are shown below (*in thousands*):

	FRS	HIS
Total pension liability	$ 243,620,457,000	$ 13,687,702,516
Plan fiduciary net position	(212,585,325,722)	(870,258,386)
Net pension liability	$ 38,684,702,966	$ 12,817,444,130
Plan fiduciary net position as a percentage of the total pension liability	87.26%	6.36%

The total pension liability for the FRS and HIS was determined by the plan's actuary and reported in the plan's GASB 67 valuation as of June 30, 2026. The fiduciary net position used by the actuary to determine the net pension liability (as shown above) was determined on the same basis used by the plan. The fiduciary net position is reported in the financial statements and the net pension liability is disclosed in the notes to the financial statements.

Basis of Allocation

The School's proportionate share reported in the pension allocation schedules was calculated using accrued retirement contributions related to the reporting periods included in the system's current and several prior measurement dates. Prior measurement dates shown in exhibits align with the oldest deferred (inflow)/outflow base through June 30, 2026, for employers that were members of the FRS and HIS during those fiscal years. For fiscal years ended June 30, 2018, through June 30, 2026, in addition to contributions from employers, the required accrued contributions for the division (paid on behalf of the division's employees who administer the plans) were allocated to each employer on a proportional basis. The division administers the plans, and therefore, cannot allocate a portion of the liability to itself. Although GASB 68 encourages the use of the School's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is acceptable. The aggregate employer contribution amounts for each fiscal year agree to the employer contribution amounts reported in the system's ACFR for that fiscal year.

The proportion calculated based on contributions for each of the fiscal years presented in the pension allocation schedules was applied to the net pension liability and other pension amounts applicable to that fiscal year to determine each employer's proportionate share of the liability, deferred outflows of resources, deferred inflows of resources and associated pension expense.

For the purposes of the pension allocation schedules, pension amounts are allocated to reporting employers. The pension amounts of participating employers whose payrolls are reported and contributions are remitted by another entity are included in the reporting employer's amounts and will be allocated to the participating employer by the reporting employer.

Actuarial Methods and Assumptions

The Florida Retirement System (FRS) Actuarial Assumption Conference is responsible for setting the assumptions used in the funding valuations of the defined benefit pension plan pursuant to section 216.136(10), Florida Statutes. The division determines the assumptions in the valuations for GASB 67 reporting purposes. The FRS Pension Plan's GASB 67 valuation is performed annually. The HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2025 for the period July 1, 2018, through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for that program. The actuarial assumptions that determined the total pension liability for the HIS Program were based on certain results of the most recent experience study for the FRS Pension Plan.

The total pension liability for each cost-sharing defined benefit plan was determined using the individual entry age actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth, including inflation, for both plans is assumed at 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index). Mortality assumptions for both the FRS Pension Plan and the HIS Program were based on the PUB-2010 base table.

The following changes in actuarial assumptions occurred in 2026 for the HIS Program:

- All demographic assumptions and methods were reviewed as part of the 2025 Experience Study. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its meetings in October 2025.

- The coverage election assumptions were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2026 FRS Actuarial Assumption Conference during its October 2026 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates.

Sensitivity Analysis

The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact to the collective net pension liability of the participating employers if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2026.

School's Proportionate Share of FRS Net Pension Liability

1% Decrease	Current Discount Rate	1% Increase
5.70%	6.70%	7.70%
$1,429,209	$728,265	$140,604

School's Proportionate Share of HIS Net Pension Liability

1% Decrease	Current Discount Rate	1% Increase
4.20%	5.20%	6.20%
$598,809	$531,019	$474,164

The School's proportions are as follows:

	FRS	HIS
June 30, 2026	.00234%	.00414%
June 30, 2025	.00256%	.00441%
Change	.00021%	.00027%

Pension Expense and Deferred Outflow / Inflow of Resources

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

- Differences between expected and actual experience with regard to economic and demographic factors – amortized over the average expected remaining service life of all

employees that are provided with pensions through the pension plan (active and inactive employees).

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

The School's contributions to the pension plans from the School are not included in collective pension expense; however, employee contributions are used to reduce pension expense.

The average expected remaining service life of all employees provided with pensions through the pension plans at June 30, 2026, was 4.7 years for FRS and 5.8 years for HIS.

At June 30, 2026, the School reported deferred outflows of resources and deferred inflow of resources related to the pensions from the following sources:

Description	FRS Deferred Outflows of Resources	FRS Deferred Inflows of Resources
Differences between expected and actual experience	$ 77,786	$ -
Changes of assumptions	84,570	-
Net difference between projected and actual investment earnings	-	121,591
Employer-specific amounts due to changes in employer proportion	8,612	222,184
School FRS contributions subsequent to the measurement date	196,344	-
Total	$ 367,312	$ 343,775

Description	HIS Deferred Outflows of Resources	HIS Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,170	$ 842
Changes of assumptions	4,700	128,440
Net difference between projected and actual investment earnings	-	442
Employer-specific amounts due to changes in employer proportion	6,674	127,935
School FRS contributions subsequent to the measurement date	43,386	-
Total	$ 57,930	$ 257,659

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

Measurement period ending June 30,	FRS Expense	HIS Expense
2026	$ (60,482)	$ (53,631)
2027	(51,842)	(64,210)
2028	(34,561)	(54,060)
2029	(17,281)	(43,324)
2030	(8,641)	(27,890)
Thereafter	-	-
Total	$ (172,807)	$ (243,115)

Additional Financial and Actuarial Information

Additional audited financial information supporting the Schedules of Employer Allocations and the Schedules of Pension Amounts by Employer is located in the Florida Retirement System Pension Plan and Other State-Administered Systems ACFR for the fiscal year ended June 30, 2026. The system's ACFR and the actuarial valuation reports referenced herein are available online at: http://www.dms.myflorida.com/workforce_operations/retirement/publications.

7 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

District School Board of Collier County, Florida:	
Florida Education Finance Program	$ 1,458,217
Discretionary local effort	619,509
Referendum - Capital .35 mill	314,622
Class size reduction	252,953
ESE guaranteed allocation	65,356
Education Enrichment Share	59,490
Transportation	43,914
School Recognition	23,250
Mental Health Assistance Allocation	17,073
Safe Schools	13,272
Total	$ 2,867,656

The administrative fee paid to the School Board during the year ended June 30, 2026 totaled approximately $52,000, which is reflected as a general administration expense in the

accompanying statement of activities and statement of revenues, expenditures and changes in fund balance – governmental fund.

8 DONATION FROM COLLIER COUNTY SCHOOL DISTRICT

The School received approximately $456,000 from Collier County School District in fiscal 2022 as a donation. In 2004 the city received a piece of land that is referred to as Tract K. This land was deemed to be used for specific environmental purposes. The donor of the land to the CCSD specified that upon sale of Tract K, the proceeds would be allocated among educational facilities in Collier county, The amount of allocation was determined by the number of students in the educational facility. The board of Governance of Marco Island Charter Middle School restricted the funds for capital projects only in 2022. No donation funds have been spent as of fiscal 2026.

9 RISK MANAGEMENT PROGRAM

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

10 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

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

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

Legal Matters

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

11 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, the school has adopted standards that examine any uncertain tax positions that they expect to take in a tax return relating to state income taxes and unrelated business taxable income. The school also assesses its ability to continue as tax exempt and a nonprofit organization for tax purposes. The School's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

12 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through August 30, 2026, which is the date the financial statements were available to be issued.

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Required Supplementary Information

Budget Comparison Schedule - General Fund

For the Year Ended June 30, 2026

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
State and local sources	$ 2,883,265	$ 2,883,265	$ 2,867,656	$ (15,609)
Contributions and other revenue	1,640,465	1,640,465	338,898	(1,301,567)
Total revenues	4,523,730	4,523,730	3,206,554	(1,317,176)
EXPENDITURES				
Current:				
Instruction	2,614,527	2,614,527	2,619,824	5,297
Board	27,500	27,500	27,595	95
General administration	51,863	51,863	52,539	676
School administration	1,161,181	1,161,181	1,037,840	(123,341)
Food services	-	-	11,107	11,107
Pupil transportation services	138,720	138,720	187,037	48,317
Operation of plant	474,139	474,139	563,868	89,729
Total expenditures	4,467,930	4,467,930	4,499,810	31,880
Excess (deficiency) of revenue over expenditures	55,800	55,800	(1,293,256)	(1,349,056)
OTHER FINANCING SOURCES (USES)				
Operating transfer out	-	-	(93,907)	(93,907)
Total other financing sources	-	-	(93,907)	(93,907)
Net changes in fund balances	55,800	55,800	(1,387,163)	(1,442,963)
Fund balance at beginning of year	1,644,861	1,644,861	1,644,861	
Fund balance at end of year	$ 1,700,661	$ 1,700,661	$ 257,698	

See report of independent auditor's.

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Required Supplementary Information
(continued)

Schedule of the School's Proportionate Share of the Net Pension Liability-
Florida Retirement System Pension Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
School's proportion of the FRS net pension liability (asset)	0.00235%	0.00256%	0.30400%	0.00343%	0.00343%	0.00369%	0.00369%	0.00376%	0.00376%	0.00360%
School's proportionate share of the FRS net pension liability (asset)	$ 728,265	$ 992,659	$ 1,214,228	$ 1,320,133	$ 259,318	$ 1,597,350	$ 1,273,156	$ 1,129,905	$ 1,113,354	$ 908,200
School's covered-employee payroll	$ 2,263,427	$ 2,548,174	$ 2,189,351	$ 2,063,483	$ 1,949,276	$ 1,942,193	$ 2,042,700	$ 1,957,799	$ 1,956,831	$ 1,973,327
School's proportionate share if the FRS net pension liability (asset) as a percentage of its covered-employee payroll	32.2%	39.0%	55.5%	64.0%	13.3%	82.2%	62.3%	57.7%	56.9%	46.0%
FRS Plan fiduciary net position as a percentage of the total pension liability	87.26%	83.70%	82.89%	82.89%	96.40%	78.85%	82.61%	84.26%	83.89%	84.88%

Schedule of School Contributions
Florida Retirement System Pension Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required FRS contribution	196,344	160,821	157,924	155,079	162,941	137,610	108,627	106,908	114,313	$ 114,313
FRS contribution in relation to the contractually required FRS contribution	(196,344)	(160,821)	(157,924)	(155,079)	(162,941)	(137,610)	(108,627)	(106,908)	(114,313)	(114,313)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered employee payroll	$ 2,263,427	$ 2,548,174	$ 2,189,351	$ 2,063,483	$ 1,949,276	$ 1,942,193	$ 2,042,700	$ 1,957,799	$ 1,956,831	$ 1,973,327
FRS contribution as a percentage of covered-employee payroll	8.7%	6.3%	7.2%	7.5%	8.4%	7.1%	5.3%	5.5%	5.8%	5.8%

See report of independent auditor's.

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Required Supplementary Information
(continued)

Schedule of the School's Proportionate Share of the Net Pension Liability-
Health Insurance Subsidy Pension Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
School's proportion of the HIS net pension liability (asset)	0.0041%	0.0044%	0.0047%	0.0051%	0.0051%	0.0059%	0.0060%	0.0062%	0.0062%	0.0063%
School's proportionate share of the HIS net pension liability (asset)	$ 531,019	$ 662,510	$ 761,824	$ 558,408	$ 627,544	$ 718,608	$ 661,765	$ 661,956	$ 661,956	$ 729,621
School's covered-employee payroll	$ 2,263,427	$ 2,548,174	$ 2,189,351	$ 2,063,483	$ 1,949,276	$ 1,942,193	$ 2,042,700	$ 1,973,327	$ 1,973,327	$ 1,973,327
School's proportionate share if the HIS net pension liability (asset) as a percentage of its covered-employee payroll	23.5%	26.0%	34.8%	27.1%	32.2%	37.0%	32.4%	33.5%	33.5%	37.0%
HIS Plan fiduciary net position as a percentage of the total pension liability	6.36%	4.80%	4.12%	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.10%

Schedule of School Contributions
Health Insurance Subsidy Pension Plan

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required HIS contribution	$ 43,386	$ 40,684	$ 33,958	$ 28,344	$ 29,537	$ 34,617	$ 32,386	$ 32,413	$ 32,757	$ 32,757
HIS contribution in relation to the contractually required HIS contribution	(43,386)	(40,684)	(33,958)	(28,344)	(29,537)	(34,617)	(32,386)	(32,413)	(32,757)	(32,757)
HIS contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 2,263,427	$ 2,548,174	$ 2,189,351	$ 2,063,483	$ 1,949,276	$ 1,942,193	$ 2,042,700	$ 1,973,327	$ 1,973,327	$ 1,973,327
HIS contribution as a percentage of covered employee payroll	1.9%	1.6%	1.6%	1.4%	1.5%	1.8%	1.6%	1.6%	1.7%	1.6%

See report of independent auditor's.

MARCO ISLAND CHARTER MIDDLE SCHOOL, INC.

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

Notes to Financial Statements

For the Year Ended June 30, 2026

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.

McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Auditor's on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors of Marco Island Charter Middle School, Inc.
a Charter School and Component Unit of the District
School Board of Collier County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Marco Island Charter Middle School (the "School"), a charter school and component unit of the District School Board of Collier County, Florida, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated August 30, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses as described on the next pages Finding 2026-1 through 2026-3. However, material weaknesses may exist that have not been identified.

Internal Control Section – Material Weakness Findings:

Finding 2026-1 - Develop a Formal Policy of Procedures to Oversee the Accounting Functions:

In order to have the proper segregation of duties, the school should develop day to day procedures for approval policies. The School previously had a strong policy that all checks over $5,000 was required to be approve by a member of the board. Additionally, all checks over $10,000 were signed by two people that were designated as a signor. The cause of this material weakness relates to a change in the method of payment for most vendors to ACH without the approval of the board. This change removed the original internal controls relating to payment of vendors or other checks.

Recommendation: The School should develop internal controls surrounding the day to day activities of disbursing monies.

Finding 2026-2-Significant Audit Entries:

In the beginning of the audit, we noted that the School's equity did not rollforward appropriately. Additionally, during the audit, we noted that adjusting journal entries provided to the accounting personnel relating to the audit for June 30, 2025 were not posted. Additionally, during the audit, we identified certain material adjustments that had not been recorded.

Recommendation: Management should obtain, review, approve and record these entries annually to ensure accurate records.

Finding 2026-3-Failure to provide the Board financial statements or bank reconciliations for appropriate discussions and decision making during board meetings:

Based on our review of the financial information provided to us and the review of quickbooks, we noted the information provided to the board was either not complete, inaccurate or not current. Bank reconciliations were completed in batches sometimes but not systematically.

Recommendation: Policies and procedures should be developed and approved by the board in order to be able to make educated decisions. If the adjusting journal are not corrected timely these differences can accumulate and have a material effect on the boards decision making procedures.

Report on Compliance and Other Matters

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

Compliance and Other Matters – Compliance Findings:

Finding 2026-4- Some obligations were not paid timely.

During the audit we noted that the payments for certain vendors as well as retirement contributions were not paid timely. Payments were made inconsistently. Some of these amounts could have been withdrawn from employee paychecks but not timely remitted to the corresponding system.

Recommendation: Policy and procedures should be developed to ensure payments are made on a timely basis and vendors are paid upon terms and approved by the board.

The School's response to Findings:

The School's response to the findings identified in our audit are described in the accompanying attachment to our audit. The school's response was not subjected to the auditing procedures of the audit in the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

McCrady & Associates, PLLC

Altamonte Springs, Florida
August 30, 2026

Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools*
and Similar Entities

McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter as Required by Rules of the Florida Auditor General, Chapter 10.850, Florida Statutes, *Charter School Audits*

To the Board of Directors of Marco Island Charter Middle School, Inc.,
a Charter School and Component Unit of the District
School Board of Collier County, Florida.

Report on the Financial Statements

We have audited the financial statements of Marco Island Charter Middle School, Inc. (the "School") as of and for the fiscal year ended June 30, 2026, and have issued our report thereon dated August 30, 2026.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Marco Island Charter Middle School, Inc. The School code is 9018.

Financial Condition

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

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Based on our procedures, the entity has a deteriorating financial condition resulting from three consecutive years where expenditures exceeded revenues and budgeted amounts, depleting current assets and fund balance.

Transparency

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

Other Matters

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

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

McCrady & Associates, PLLC

Altamonte Springs, Florida
August 30, 2026

Preceding Findings, Recommendations and Other Matters-Corrected

Section II – Financial Statement Findings

Finding 2023-1 - Develop a Formal Policy of Procedures to Oversee and Manage the Accounting and Compliance Functions:

The above issue has been resolved as of June 30, 2025. The school designated the Treasurer Sandra Massie, to oversee compliance along with filing requirements. Mrs. Massie is also a member of Marco Island Charter School's Board of Directors. Marco Island Charter Middle School's Treasurer and the School's Comptroller have worked closely together in FY24, meeting quarterly to review any upcoming deadlines to reaffirm and build accountability. It was also noted, during our audit procedures, that this continues to be the procedure in FY24.

Marco Island Charter Middle School
1401 Trinidad Avenue
Marco Island, FL 34145
239-377-3200

August 27, 2026

McCrady and Associates, PLLC

Management Response to Current Year Audit Findings

To Whom It May Concern:

Management has reviewed the material weakness findings identified during the audit and has taken corrective action to address each matter. The School has implemented enhanced policies, procedures, and oversight controls designed to strengthen its financial reporting processes, internal controls, and governance. Management considers each of the findings below to have been remediated.

Finding 2026-1 – Develop a Formal Policy of Procedures to Oversee the Accounting Functions

Response: The School has reestablished appropriate approval requirements and segregation of duties over the disbursement process. The updated procedures establish authorization and review requirements for payments, including ACH transactions, and ensure that appropriate oversight is maintained regardless of the method of payment.

The procedures also clearly define the responsibilities of School personnel, outside CPA and Board members involved in the authorization, processing, and review of disbursements. All invoices are sent to the outside CPA to enter the bills within QuickBooks. The outside CPA generates the checks to print, which are then printed at the School, by either the principal or the Treasurer of the board. The Principal or Treasurer sign all checks and put in the mail. Nonrecurring expenses over $5,000 require board approval and checks over $10,000 require dual signature, to include Board Treasurer or President.

Status: Remediated November 2025.

Finding 2026-2 – Significant Audit Entries

Management Response and Corrective Action:

Response: The necessary prior-year and current-year adjusting journal entries have been reviewed and recorded in the School's accounting records, including the applicable entries related to the June 30, 2025 audit. Management has also reviewed the equity balances to ensure that they appropriately roll forward from the prior fiscal year and has locked the prior year file to ensure no changes are made to previous years with a passcode only known by the Board treasurer.

Throughout the year, the School engaged with an outside CPA who has specialized knowledge of the charter school industry and modified accrual accounting. In engaging with the outside CPA, the appropriate monthly entries have been made to the accounting ledgers on a monthly basis.

In addition, the School has established procedures requiring all year-end audit adjustments to be obtained from the independent auditor, reviewed by appropriate management personnel, approved, and timely recorded in the accounting system following completion of the annual audit.

Status: Remediated October 2025

Finding 2026-3 – Failure to Provide the Board Financial Statements or Bank Reconciliations for Appropriate Discussions and Decision Making During Board Meetings

Management Response and Corrective Action:

Response: Bank reconciliations have been brought current and procedures have been established requiring bank and other applicable balance sheet account reconciliations to be completed systematically and timely. Management has also implemented a regular financial reporting process under which current financial statements are prepared, reviewed, and provided to the Board for its review and discussion.

The financial reporting package provided to the Board includes sufficient current financial information to allow the Board to evaluate the School's financial position and operating results and make informed financial decisions. Management will also ensure that material accounting adjustments are recorded timely so that financial information presented to the Board accurately reflects the School's accounting records.

These procedures are intended to establish a consistent financial close, reconciliation, and reporting process and to provide the Board with reliable and timely financial information for its governance and oversight responsibilities.

Status: Remediated November 2025

Finding 2026-4 – Some Obligations Were Not Paid Timely

Management Response and Corrective Action:

Response: All outstanding vendor obligations and retirement contributions identified during the audit have been reviewed and remitted, as applicable.

The School has implemented formal procedures to ensure that vendor invoices, retirement contributions, payroll-related obligations, and other amounts due are reviewed, approved, and paid within the applicable payment terms and required deadlines. Checks are cut weekly to pay any bills due within the next 10 business days. Particular attention has been given to amounts withheld from employee compensation to ensure that such amounts are remitted to the appropriate retirement plan or other applicable system timely and in accordance with established requirements.

Management has also established a recurring review process to monitor outstanding accounts payable and payroll-related liabilities. Responsibilities for initiating, approving, and confirming payments have been clearly assigned, and appropriate oversight has been incorporated into the process to ensure payments are made consistently and in accordance with the School's established authorization policies.

Management believes these corrective actions address the conditions identified in this finding and provide appropriate controls to ensure the School's obligations are paid accurately and timely going forward. Additionally, 12 month cash flow projections are prepared by the outside CPA monthly to monitor cash balances to ensure obligations are able to be paid timely and monitor inconsistencies or incongruencies with expectations.

Status: Remediated December 2025

Conclusion

Management believes the corrective actions described above adequately address the conditions identified in Findings 2026-1, 2026-2, 2026-3 and 2026-4. The School is committed to maintaining these enhanced internal controls and will continue to monitor their effectiveness to ensure ongoing compliance, accurate financial reporting, and appropriate Board oversight.

Sincerely,



Sandra Massie
Board Treasurer
MICMS