

**PALMETTO CHARTER SCHOOL, INC.**

(A Component Unit of the  
District School Board of Manatee County, Florida)

**AMENDED AND RESTATED ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2019

## TABLE OF CONTENTS

### FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)	3
BASIC FINANCIAL STATEMENTS	
<i>Government-wide Financial Statements:</i>	
Statement of Net Position	8
Statement of Activities	9
<i>Fund Financial Statements:</i>	
Balance Sheet	10
Reconciliation of the Governmental Fund Balance Sheet To the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance	12
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	13
<i>Notes to Financial Statements</i>	14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of General Fund	30
Schedule of the Charter School's Proportionate Share of the Net Pension Liability of FRS	31
Schedule of the Charter School's Proportionate Share of the Net Pension Liability of HIS	32
Schedule of the Charter School's Contributions of FRS	33
Schedule of the Charter School's Contributions of HIS	34

### COMPLIANCE SECTION

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	35
INDEPENDENT AUDITOR'S MANAGEMENT LETTER (Required by Chapter 10.850, Rules of the Auditor General of the State of Florida)	37
SCHEDULE OF FINDINGS	39
MANAGEMENT'S RESPONSE TO FINDINGS	40

**FINANCIAL SECTION**

**LA MANNA HERNANDEZ P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Palmetto Charter School, Inc  
Palmetto, Florida

***Report on the Financial Statements***

We have audited the accompanying amended and restated financial statements of the governmental activities and each major fund of Palmetto Charter School, Inc. (the "School"), a component unit of the District School Board of Manatee County, Florida, as of June 30, 2019, and the related amended and restated notes to the financial statements, which collectively comprise the School's basic amended and restated financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

Our responsibility is to express an opinion on these amended and restated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the amended and restated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the amended and restated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the amended and restated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the amended and restated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## ***Opinion***

In our opinion, the amended and restated financial statements referred to above present fairly, in all material respects, the financial position of Palmetto Charter School, Inc. as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Restatement of financial statements***

Without modifying our opinion, we draw attention to Note 2 to the amended and restated financial statements, which explains that the amended and restated financial statements for the year ended June 30, 2019 have been restated from those which we originally reported on September 24, 2019.

## ***Other Matters***

### ***Required Supplementary Information***

The Management's Discussion and Analysis and budgetary comparison schedule for the General Fund are not a required part of the basic amended and restated financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2019, on our consideration of Palmetto Charter School, Inc.'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 Palmetto Charter School, Inc.'s internal control over financial reporting and compliance.

### ***Report on Summarized Comparative Information***

We have previously audited the Palmetto Charter School, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 24, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*La Manna Hernandez PA*

La Manna Hernandez, PA  
Certified Public Accountants

St. Petersburg, Florida

November 7, 2020

**PALMETTO CHARTER SCHOOL, INC.**  
**A Component Unit of the District School Board of Manatee County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2019**

The Management Discussion and Analysis (MD&A) section of the annual financial report of the Palmetto Charter School, Inc. (School) provides an overview of the School's activities for the fiscal year ended June 30, 2019.

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

**FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2019, the School's revenues exceeded expenses as shown on the School's statement of activities by \$285,543.
- As shown on the statement of net position, the School reported an unrestricted net position balance of (\$348,195).

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

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

**Government-Wide Financial Statements**

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

**Fund Financial Statements**

Fund financial statements are one of the components of the basic financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant

**PALMETTO CHARTER SCHOOL, INC.**  
**A Component Unit of the District School Board of Manatee County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2019**

funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government- wide financial statements.

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

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

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates three funds: a General Fund, a Capital Projects Fund and a Debt Service Fund. The School has elected to show each fund as a major fund.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

**Notes to Financial Statements**

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

**PALMETTO CHARTER SCHOOL, INC.**  
**A Component Unit of the District School Board of Manatee County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2019**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

	<b>Net Position</b>		
	<u>Governmental Activities</u>		
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>Increase (Decrease)</u>
Current assets	\$ 622,491	\$ 556,075	\$ 66,416
Capital assets, net	3,916,370	3,707,571	208,799
Total assets	<u>4,538,861</u>	<u>4,263,646</u>	<u>275,215</u>
Deferred outflows	<u>606,428</u>	<u>668,700</u>	<u>(62,272)</u>
Current liabilities	92,755	205,830	(113,075)
Noncurrent liabilities	3,892,367	3,944,008	(51,641)
Total liabilities	<u>3,985,122</u>	<u>4,149,838</u>	<u>(164,716)</u>
Deferred inflows	<u>242,992</u>	<u>150,876</u>	<u>92,116</u>
Net Position:			
Net investment in capital assets	1,265,370	955,429	309,941
Unrestricted	<u>(348,195)</u>	<u>(323,797)</u>	<u>(24,398)</u>
Total net position	<u>\$ 917,175</u>	<u>\$ 631,632</u>	<u>\$ 285,543</u>

Assets consist primarily of cash and cash equivalents, amounts due from other agency, security deposits, and the School's investment in capital assets, which consists of land, building, furniture, fixtures, and equipment, and building improvements, net of depreciation. Liabilities are comprised of accounts payable, salaries and benefits payable, and bonds payable.



**PALMETTO CHARTER SCHOOL, INC.**  
**A Component Unit of the District School Board of Manatee County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2019**

The following is a summary of the School's net position for the current year and prior year.

**Operating Results for the Year**

	Governmental Activities		
	June 30, 2019	June 30, 2018	Increase (Decrease)
<b>REVENUE</b>			
Federal through State and Local	\$ 4,000	\$ 3,996	\$ 4
State Sources	3,036,368	2,791,106	245,262
Local and other	225,840	155,694	70,146
Total revenue	\$ 3,266,208	\$ 2,950,796	\$ 315,412
<b>EXPENSES</b>			
Instruction	\$ 1,729,630	\$ 1,436,939	\$ 292,691
Staff development	56,309	44,498	11,811
School administration	443,925	360,051	83,874
Operation and maintenance of plant	335,814	256,032	79,782
Other programs and services	414,987	474,269	(59,282)
Total expenses	2,980,665	2,571,789	408,876
<b>Increase in Net Position</b>	\$ 285,543	\$ 379,007	\$ (93,464)

The largest revenue source for the School is the State of Florida (93%). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the School. The largest concentration of expenses was for Instruction, which represents 58% of total expenditures.

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

**Governmental Funds**

As the School completed the year, its governmental funds reported a combined fund balance of \$547,522.

**BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2019, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the school revised its general fund budget several times. Refer to the Budgetary Comparison Schedule for additional information.

**PALMETTO CHARTER SCHOOL, INC.**  
**A Component Unit of the District School Board of Manatee County, Florida**

**MANAGEMENT DISCUSSION AND ANALYSIS**

**Year Ended June 30, 2019**

**CAPITAL ASSETS**

The School's investment in capital assets for its governmental activities as of June 30, 2019, amounts to \$1,265,370 (net of accumulated depreciation and related debt). This investment in capital assets includes land, building, furniture, fixtures, equipment, and building improvements. Additional information regarding the School's capital assets can be found in the subsequent notes to the financial statements.

**LONG-TERM DEBT**

At June 30, 2019, the School had \$2,651,000 in long-term debt outstanding, a net decrease of \$101,142 from the previous year. Additional information regarding the School's long-term debt can be found in the subsequent notes to the financial statements.

The Charter School has recognized its proportionate share of the FRS and HIS net pension liability in accordance with GASB Statement No. 68. At June 30, 2019 and 2018, the net pension liability recognized by the Charter School was \$1,259,153 and \$1,353,900, respectively.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Palmetto Charter School, Inc.'s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School Administrator, Palmetto Charter School, Inc., 1601 17<sup>th</sup> Street West, Palmetto, FL 34221.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**AMENDED AND RESTATED STATEMENT OF NET POSITION**  
**June 30, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
	As Restated (Note 2)	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 470,416	\$ 403,395
Investments	113,425	109,187
Accounts receivable	20,809	31,873
Prepaid expenses	17,491	11,270
Deposits	350	350
Total current assets	<u>622,491</u>	<u>556,075</u>
 Capital assets, net of accumulated depreciation and amortization	 <u>3,916,370</u>	 <u>3,707,571</u>
 Total Assets	 <u>4,538,861</u>	 <u>4,263,646</u>
 Deferred outflows of resources - Pension	 <u>606,428</u>	 <u>668,700</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued expenses	74,969	43,796
Note payable, due within one year	<u>17,786</u>	<u>162,034</u>
 Total current liabilities	 92,755	 205,830
Long-term liabilities:		
Net pension liability	1,259,153	1,353,900
Notes payable	<u>2,633,214</u>	<u>2,590,108</u>
Total long-term liabilities	<u>3,892,367</u>	<u>3,944,008</u>
 Total liabilities	 <u>3,985,122</u>	 <u>4,149,838</u>
 Deferred inflows of resources - Pension	 <u>242,992</u>	 <u>150,876</u>
<b>NET POSITION</b>		
Invested in capital assets, net of accumulated depreciation, amortization and related debt	1,265,370	955,429
Restricted	-	-
Unrestricted	<u>(348,195)</u>	<u>(323,797)</u>
 Total Net Position	 <u>\$ 917,175</u>	 <u>\$ 631,632</u>

The accompanying notes are an integral part of the amended and restated financial statements.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**AMENDED AND RESTATED STATEMENT OF ACTIVITIES**

**For the Year Ended June 30, 2019**  
**With Comparative Totals For 2018**  
**2019**

(As Restated)

2018

<b>Function/Program</b>	<b>Program Revenues</b>				<b>Net (Expense)</b> <b>Revenue and</b> <b>Changes in Net</b> <b>Position</b>	<b>(Memo Total)</b>
	<b>Expenses</b>	<b>Charges for</b> <b>Services</b>	<b>Operating</b> <b>Grants and</b> <b>Contributions</b>	<b>Capital</b> <b>Grants and</b> <b>Contributions</b>		
Component Unit Activities:						
Instruction	\$ 1,729,630	\$ -	\$ 491,177	\$ -	\$ (1,238,453)	\$ (1,301,373)
Staff development	56,309	-	-	-	(56,309)	(44,498)
School administration	443,925	-	-	-	(443,925)	(360,051)
Operation and maintenance of plant	335,814	-	-	176,397	(159,417)	10,577
Other programs and services	414,987	107,320	-	-	(307,667)	(353,072)
<b>Total Governmental Activities</b>	<b>\$ 2,980,665</b>	<b>\$ 107,320</b>	<b>\$ 491,177</b>	<b>\$ 176,397</b>	<b>(2,205,771)</b>	<b>(2,048,417)</b>
General Revenues:						
FTE non-specific revenues					2,484,894	2,425,274
Interest income					3,048	2,259
Investment income (loss)					3,372	(109)
Total general revenues					<u>2,491,314</u>	<u>2,427,424</u>
Change in net position					285,543	379,007
Net position - beginning					631,632	1,088,701
Prior per adjustments					-	(836,076)
Net position - ending					<u>\$ 917,175</u>	<u>\$ 631,632</u>

The accompanying notes are an integral part of the amended and restated financial statements.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**AMENDED AND RESTATED BALANCE SHEET**  
**June 30, 2019 and 2018**

	<b>2019</b>				<b>2018</b>
	<b>As Restated</b>				
	<b>General Fund</b>	<b>Capital Projects Fund</b>	<b>Debt Service Fund</b>	<b>Total Governmental Funds</b>	<b>(Memo Total)</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 470,416	\$ -	\$ -	\$ 470,416	\$ 403,395
Investments	113,425	-	-	113,425	109,187
Accounts receivable	20,809	-	-	20,809	31,873
Prepaid expenses	17,491	-	-	17,491	11,270
Deposits	350	-	-	350	350
Restricted cash	-	-	-	-	-
 Total Assets	 \$ 622,491	 \$ -	 \$ -	 \$ 622,491	 \$ 556,075
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 74,969	\$ -	\$ -	\$ 74,969	\$ 43,796
<b>FUND BALANCES</b>					
Nonspendable:					
Prepaid expense	17,491	-	-	17,491	11,270
Deposits	350	-	-	350	350
Total nonspendable	17,841	-	-	17,841	11,620
 Unassigned	 529,681	 -	 -	 529,681	 500,659
Total fund balances	547,522	-	-	547,522	512,279
Total Liabilities and Fund Balances	\$ 622,491	\$ -	\$ -	\$ 622,491	\$ 556,075

The accompanying notes are an integral part of the amended and restated financial statements.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**  
**AMENDED AND RESTED RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2019

Total Fund Balance - Governmental Funds		\$ 547,522
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets, net of accumulated depreciation used in governmental activities are not financial resources and, therefore, not reported as assets in the governmental funds.		3,916,370
Deferred outflows of resources related to pension and not recognized in the governmental funds; however, they are reported in the statement of net position		606,428
Deferred inflows of resources related to pension and not recognized in the governmental funds; however, they are reported in the statement of net position		(242,992)
Related debt not reported as liabilities in the governmental funds.		
Net pension liability	(1,259,153)	
Mortgage payable	<u>(2,651,000)</u>	
		<u>(3,910,153)</u>
Total Net Position of Governmental Activities		<u>\$ 917,175</u>

The accompanying notes are an integral part of the amended and restated financial statements.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**  
**AMENDED AND RESTATED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**

For the Year Ended June 30, 2019  
With Comparative Totals for 2018

	<b>2019</b>				<b>Total</b>	<b>2018</b>
	<b>(As Restated)</b>					
	<b>General Fund</b>		<b>Capital</b>	<b>Debt</b>		
<b>Unreserved</b>	<b>Reserved</b>	<b>Projects Fund</b>	<b>Service</b>			
<b>REVENUES AND OTHER ADDITIONS</b>						
Federal, state, and local sources	\$ 2,970,411	\$ -	\$ 176,397	\$ 2,651,000	\$ 5,797,808	\$ 2,795,103
Contributions and fund raising	5,660	-	-	-	5,660	32,347
Interest income	3,048	-	-	-	3,048	2,259
Investment income	3,372	-	-	-	3,372	(109)
Other	107,320	-	-	-	107,320	121,196
Transfers - internal activities	(630,711)	-	332,794	297,917	-	-
<b>Total Revenues and Other Additions</b>	<b>2,459,100</b>	<b>-</b>	<b>509,191</b>	<b>2,948,917</b>	<b>5,917,208</b>	<b>2,950,796</b>
<b>EXPENDITURES</b>						
Instruction	1,579,868	-	-	-	1,579,868	1,324,197
Staff development	56,309	-	-	-	56,309	44,498
School administration	418,558	-	-	-	418,558	341,732
Operation and maintenance of plant	153,673	-	176,397	-	330,070	250,423
Capital asset acquisition	-	-	332,794	-	332,794	221,904
Other programs and services	215,449	-	-	-	215,449	344,554
Debt service:						
Interest and fiscal charges	-	-	-	196,775	196,775	129,715
Principle payments	-	-	-	2,752,142	2,752,142	207,848
<b>Total Expenditures</b>	<b>2,423,857</b>	<b>-</b>	<b>509,191</b>	<b>2,948,917</b>	<b>5,881,965</b>	<b>2,864,871</b>
<b>AND TRANSFERS OVER EXPENDITURES</b>	<b>35,243</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>35,243</b>	<b>85,925</b>
<b>Fund Balances - Beginning of Year</b>	<b>512,279</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>512,279</b>	<b>426,354</b>
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 547,522</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 547,522</b>	<b>\$ 512,279</b>

The accompanying notes are an integral part of the amended and restated financial statements.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

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

**For the Year Ended June 30, 2019**

Change in Fund Balance - Governmental Funds	\$	35,243
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital acquisitions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital asset acquisition	332,795	
Depreciation and amortization expense	(123,996)	
		208,799

The issuance of long-term debt provides current financial resources to governmental funds and thus contributes to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities, Similarly, repayment of principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. The amounts that make up these differences in the treatment of long-term debt are:

Proceeds from issuance of debt	(2,651,000)	
Principal repayments	2,752,142	
		101,142

Some expense reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds

Decrease in deferred outflows	(62,272)	
Increase in deferred inflows	(92,116)	
Decrease in pension liability	94,747	
		(59,641)

Change in Net Position of Governmental Activities	\$	<u>285,543</u>
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The accompanying notes are an integral part of the amended and restated financial statements.



**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

Palmetto Charter School, Inc. (the "School") is part of the Florida system of public education under the general direction of the State Department of Education. The School was organized as a not-for-profit corporation pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act, and Section 228.056, Florida Statutes. The School operates under a charter approved by their sponsor, the District School Board of Manatee County, Florida, (the "School Board"). The School Board approved the charter effective July 1, 2010 through June 30, 2015. The School Board approved an extension period effective July 1, 2015 through June 30, 2025. The School is a Florida not-for-profit organization that is exempt from state and federal income taxes under Internal Revenue Code Section 501(c)3.

The Florida Department of Education (the "Department") has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided in the *Financial and Program Cost Accounting and Reporting for Florida Schools* manual issued by the Department. The School is required by contract with the School Board to use the governmental reporting model and the Department's accounting and reporting manual.

The accompanying financial statements present the financial position and results of operation of the applicable funds controlled by or dependent upon the School. In evaluating the School as a reporting entity, management has addressed all potential component units for which the School may or may not be financially accountable and, as such, are included in the School's accompanying financial statements. No component units exist which would require inclusion in the School's financial statements.

**Government-wide and Fund Financial Statements**

The basic financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the School. The effect of inter-fund activities has been removed from these statements. The school has both governmental activities and business-type activities. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges for services for other programs and services. General revenues include amounts received from state and local sources. The School's general fund and investment in plant are considered to be major funds.

**Recently Adopted Accounting Pronouncements**

During fiscal year 2013, the School adopted guidance issued by the Governmental Accounting Standards Board (GASB) that requires entities to present a Statement of Net Position in place of the previously issued Statement of Net Assets. The Statement of Net Position reports all assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The principal exception to this general rule is that expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due. Allocations of cost, such as depreciation, are not recognized in governmental funds. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the GASB.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Budgets and Budgetary Accounting**

Budgets are prepared and original budgets are adopted annually for the General Fund in accordance with procedures and intervals prescribed by the Board of Directors (the "Board") of the School. During the fiscal year ended June 30, 2019, the Board adopted an annual budget for the General fund. The school is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instructional, school administration, and debt service) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Budgets and Budgetary Accounting (Continued)**

Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at year-end and encumbrances outstanding are honored for the subsequent year's appropriations.

**Cash and Cash Equivalents**

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by federal depository insurance. The School's cash consists primarily of demand deposits and savings accounts.

**Use of Estimates**

The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Capital Assets**

Capital assets consist of leasehold improvements and furniture, fixtures and equipment. Capital assets purchased in the governmental funds are recorded as expenditures at the time of purchase. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost. Donated assets are recorded at fair market value at the date received. Capital assets are depreciated using the straight-line method over the estimated useful lives of the various classes of depreciable assets, which range from 3 to 15 years.

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

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This 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. One item qualifies for reporting in this category which is a deferred outflow of pension resources which will be recognized as either pension expense or a reduction of net pension liability in future reporting years.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. One item qualifies for reporting in this category which is a deferred inflow of pension earnings which will be recognized as a reduction to pension expense in future reporting years.

**Compensated Absences**

It is the School's policy to grant employees leave based upon the number of years of employment with the School. Personal leave may be used as time off or accrued up to the maximum the employee would earn in two years. An employee resigning or retiring with two weeks' notice shall be paid for their credited personal leave up to the maximum allowable rate referred to above. Such leave pay shall be made at the employee's current rate of pay. Employees who terminate prior to completion of six months of continuous service will not be paid for any accrued personal leave time.

**State Sources**

The state provides financial assistance to administer certain categorical educational programs. Department rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs.

The Department generally requires that categorical educational program revenues be accounted for in the General Fund. A portion of the fund balance of the General fund is reserved for the unencumbered balance of categorical educational program resources.

The state allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. The School would recognize any revenues from these sources when received.

**Contributions**

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of fixed assets or materials as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long donated assets or assets acquired with restricted contributions must be maintained, the School reports expirations of donor restrictions when donated or acquired assets are placed in service. Contributions are considered to be unrestricted program funds unless specifically restricted by donor.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS), (which includes FRS and HIS) and additions to/deletions from FRS's fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

**Subsequent Events**

Subsequent events have been evaluated through November 7, 2020, which is the date the amended and restated financial statements were issued.

**Comparative Totals**

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**NOTE 2 – CORRECTION OF ERRORS**

The Charter School participates in the Florida Retirement System (FRS). In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB No. 27*, the Charter School is required to recognize their proportionate share of the FRS plan's net pension liability, deferred outflows, and deferred inflows. The financial statements have been corrected to reflect these amounts. Additionally, loan costs were included in capital assets that should have been expensed in the year incurred.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 2 – CORRECTION OF ERRORS (Continued)**

The School's net position has been restated at July 1, 2018 as follows in the government-wide statement of activities:

Beginning net position, as originally stated	\$	1,467,708
Prior period adjustment		
Deferred outflows of resources - pension		668,700
Net pension liability		(1,353,900)
Deferred inflows of resources - pension		(150,876)
Total prior period adjustments		<u>(836,076)</u>
Beginning net position, as restated	<u>\$</u>	<u>631,632</u>

The following classifications have been corrected at June 30, 2019 subsequent to the issuance of the audit report in the government-wide statements:

**Statement of Net Position**

	As Originally Filed	Change	As Amended
Capital assets, net of accumulated depreciation and amortization	\$ 3,978,071	\$ (61,701)	\$ 3,916,370
Deferred outflows of resources - Pension	-	606,428	606,428
Net pension liability	-	1,259,153	1,259,153
Deferred inflows of resources - Pension	-	242,992	242,992
Net Position	1,874,593	(957,418)	917,175

**Statement of Activities**

Component Unit Activities:

Instruction	1,680,991	48,639	1,729,630
School administration	435,686	8,239	443,925
Operation and maintenance of plant	333,051	2,763	335,814
Other programs and services	\$ 353,286	\$ 61,701	\$ 414,987

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 3 – CAPITAL ASSETS**

The following is a summary of changes in capital assets during the fiscal year:

	Balance <u>July 1, 2018</u>	(Decrease) <u>Increase</u>	Balance <u>June 30, 2019</u>
Capital assets being depreciated/amortized:			
Building	\$ 3,245,641	\$ -	\$ 3,245,641
Construction in Progress	181,070	283,728	464,798
Computers & software	195,536	26,141	221,677
Furniture, fixtures and equipment	147,911	6,210	154,121
Land	400,000	-	400,000
Leasehold improvements	56,777	16,716	73,493
Library and textbooks	80,457	-	80,457
Vehicles	<u>13,500</u>	<u>-</u>	<u>13,500</u>
Total capital assets being depreciated:	<u>4,320,892</u>	<u>332,795</u>	<u>4,653,687</u>
Less accumulated depreciation for:			
Building	(267,018)	(83,218)	(350,236)
Computers & software	(132,658)	(25,799)	(158,457)
Furniture, fixtures, and equipment	(123,045)	(6,576)	(129,621)
Land	-	-	-
Leasehold improvements	(9,559)	(4,736)	(14,295)
Library and textbooks	(76,291)	(1,167)	(77,458)
Vehicles	<u>(4,750)</u>	<u>(2,500)</u>	<u>(7,250)</u>
Total accumulated depreciation	<u>(613,321)</u>	<u>(123,996)</u>	<u>(737,317)</u>
Total capital assets, net	<u>\$ 3,707,571</u>	<u>\$ 208,799</u>	<u>\$ 3,916,370</u>

Depreciation and amortization was charged to functions as follows:

Instructional	\$ 101,123
School Administration	17,128
Other programs and services	<u>5,745</u>
	<u>\$ 123,996</u>

**NOTE 4 – RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all types of claims with nominal deductible amounts. There have been no significant reductions in insurance coverage during fiscal year 2018 - 2019. Settled claims have not exceeded the commercial excess coverage in the past year.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 5 – MORTGAGES PAYABLE**

Mortgages payable consist of the following at June 30, 2019:

5.05% mortgage, construction note payable to BBVA Bank up to \$4,700,000, secured by the School, repayable in monthly installments. The first nine installments will be interest only and remaining 9 years and three months will be principal and interest which will be determined once the construction is complete and the final note payable is determined. There will be a balloon payment after 10 years.	\$ 2,651,000
Less current portion of note payable	<u>(17,786)</u>
	<u>\$ 2,633,214</u>

Annual maturities on the long term debt, for the five years following June 30, 2019:

Year Ended June 30,	Amount
2021	\$ 55,186
2022	58,038
2023	61,038
2024	64,193
Thereafter	<u>2,394,759</u>
Total	<u>\$ 2,633,214</u>

Interest expense for the current year was approximately \$135,000.

**NOTE 6 - LEASE COMMITMENTS**

The School leases facilities under a long-term operating lease. Lease payments are approximately \$4,500 per month. The lease expires on July 31, 2020.

The aggregate minimum rental commitments at June 30, 2019 under the lease are summarized as follows:

Year Ended June 30,	Amount
2020	\$ 54,000
2021	-
2022	-
2023	-
2024	-
Thereafter	<u>-</u>
Total	<u>\$ 54,000</u>

Rental expense for the current year was approximately \$57,700.



**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 7 - FUND BALANCE REPORTING**

The School follows GASB Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions, for fund balance reporting.

The School reports its governmental fund balances in the following categories, as applicable:

- **Nonspendable** ó The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The School classifies its amounts reported as prepaid amounts as nonspendable.

**Restricted** ó The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The School classifies most of its fund balances other than the General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.

- **Committed** ó The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the School's Board of Directors). These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same action it employed to previously commit the amounts. The School did not have any committed fund balances at June 30, 2019.
- **Assigned** ó The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed.
- **Unassigned** ó The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and have not been restricted, committed, or assigned for specific purposes.

**NOTE 8 – ECONOMIC DEPENDENCE**

For the year ended June 30, 2019, revenue of program services from the School Board represented forty five (45%) of the School's total revenues. The School's ability to continue operating and to provide services is predicated on the School Board's continued support and funding of its programs. If a significant reduction were to occur, it would have an adverse effect on the School's ability to continue operations.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 9 - RETIREMENT PROGRAM**

***Defined Benefit Plan***

All regular employees of the School are covered by the Florida Retirement System (öFRSö). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (öPlanö). Plan provisions are established by Chapter 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System rules, Chapter 60S, Florida Administrative Code, wherein eligibility, contributions, and benefits are defined and described in detail. Essentially all regular employees of participating employers are eligible and must enroll as members of FRS. Benefits in the Plan vest at six years of service for employees enrolled prior to July 1, 2011 and eight years for employees enrolled subsequent to July 1, 2011. The Plan also includes an early retirement provision, but imposes a penalty for each year a member retires before the specific retirement age. The Plan provides retirement, disability and death benefits and annual cost-of-living adjustments, as well as supplements for certain employees to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP) subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with a FRS member. An employee may participate in the DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust and accrue interest. The School had no DROP participants during fiscal year 2019.

***Funding Policy***

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2019 fiscal year, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percent of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3%	5.18%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.11% for the Retiree Health Insurance Subsidy and 0.03% for administration of the Florida Retirement System Investment Plan and provisions of educational tools for both plans, and any applicable unfunded actuarial liability rates.

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

The School's liability for participating in the Plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contribution to the Plan for the year ended June 30, 2019 totaled approximately \$126,409, which was based on the required contributions for the fiscal year. Effective July 1, 2011, employees were required to contribute 3% to the Plan, and the employer contribution was reduced accordingly.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 9 - RETIREMENT PROGRAM (Continued)**

***Defined Contribution Plan***

Effective July 1, 2011, the Public Employee Optional Retirement Program (PEORP) was implemented as a defined contribution plan alternative to all FRS members in lieu of the defined benefit plan. Employer contributions are defined by law, but the ultimate benefit depends in part on the performance of invested funds. The PEORP is funded by employer contributions that are based on salary and membership class (i.e.: regular class, reemployed retiree, etc.). Contributions are directed to the individual member accounts, and individual members allocate contributions and account balances among various approved investment choices. The School had 11 PEORP participants during fiscal 2019.

***Pension Reporting***

The financial statements and other supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida, which may be obtained by contacting the

Florida Department of Financial Services in Tallahassee, Florida. Also, an annual report on the FRS, which includes its financial statements, required supplemental information, actuarial report and other relevant information, may be obtained from the State of Florida, Division of Retirement in Tallahassee, Florida.

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

At June 30, 2019, the School reported a liability of \$1,259,153 for its proportionate share of the net pension liability which includes both FRS and HIS. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Charter School's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined.

At June 30, 2018, the Charter School's proportion was 0.0026618662% for FRS and 0.004321430% for HIS which was consistent with its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the Charter School recognized pension expense of \$168,470. At June 30, 2019, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 9 - RETIREMENT PROGRAM (Continued)**

	FRS		HIS	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 67,922	\$ 2,466	\$ 7,002	\$ 777
Changes in assumptions	261,979	-	50,867	48,359
Net difference between projected and actual earnings on pension plan investments	-	61,946	276	-
Changes in proportion and differences between contributions and proportionate share of contributions	55,622	69,165	53,629	60,279
Charter School contributions subsequent to June 30, 2018 measurement date	83,721	-	25,410	-
	\$ 469,244	\$ 133,577	\$ 137,184	\$ 109,415

Total deferred outflows were \$606,428 and total deferred inflows were \$242,992. \$83,721 (FRS) and \$25,410 (HIS) were reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:	FRS	HIS
2020	\$ 76,007	\$ 34,463
2021	76,007	34,463
2022	76,007	34,463
2023	76,007	34,463
2024	76,007	34,463
Thereafter	89,065	48,174
	\$ 469,100	\$ 220,489

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 9 - RETIREMENT PROGRAM (Continued)**

***Actuarial Assumptions***

The total pension liability in the July 1, 2018 actuarial valuation (June 30, 2018 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	7.00 percent, including inflation at 2.60%

Mortality assumptions for the FRS pension plan were based on the PUB-2010 base table, projected generationally with Scale MP-2018, and mortality assumptions for the HIS program were based on the Generational RP-2000 with Projection Scale BB tables.

The actual assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study performed in 2014 for the period July 1, 2013 to June 30, 2018. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments consists of two building block components: 1) a real (in excess of inflation) return of 4.30%, consistent with one capital market outlook model developed in 2019 by the outside investment consultants to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.60% as adopted in October, 2019 by the FRS Actuarial Assumptions Conference. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash		1%
2.9%		
Fixed income		18%
4.4%		
Global equity		54%
7.6%		
Real estate		11%
6.6%		
Private equity		10%
10.7%		
Strategic investments		6%
6.0%		

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 9 - RETIREMENT PROGRAM (Continued)**

***Discount Rate***

The discount rate used to measure the total FRS pension liability was 7.00%, and the HIS pension liability was 3.87%. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension 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 long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following changed in actual assumptions occurred in the 2019 valuation:

- FRS: The discount rate and the long-term expected rate of return was decreased from 7.10% to 7.00%.
- \* HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

***Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Charter School's proportionate share of the FRS net pension liability calculated using the discount rate of 7.00%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using the discount rate that is 1-percentage point - lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.00%)</u>	<u>Discount Rate</u> <u>(7.00%)</u>	<u>1% Increase</u> <u>(8.00%)</u>
Charter School's proportionate share of the FRS net pension liability	\$ 1,463,260	\$ 801,768	\$ 252,360

The following presents the Charter School's proportionate share of the HIS net pension liability calculated using the discount rate of 3.87%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.87%) or 1-percentage-point higher (4.87%) than the current rate:

	<u>1% Decrease</u> <u>(2.87%)</u>	<u>Discount Rate</u> <u>(3.87%)</u>	<u>1% Increase</u> <u>(4.87%)</u>
Charter School's proportionate share of the HIS Net pension liability	\$ 520,935	\$ 457,385	\$ 404,413

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 9 - RETIREMENT PROGRAM (Continued)**

***Pension Plan Fiduciary Net Position***

The Charter School's proportion of net position has been determined on the same basis as each plan. Detailed information about the pension plan's fiduciary net position is available in the separately issued State of Florida comprehensive annual financial report.

***Aggregate Information for Retirement Plans***

	Deferred Outflows	Net Pension Liability	Deferred Inflows
FRS	\$ 469,244	\$ 801,768	\$ 133,577
HIS	137,184	457,385	109,415
	<u>\$ 606,428</u>	<u>\$ 1,259,153</u>	<u>\$ 242,992</u>

**NOTE 10 – CONCENTRATIONS OF CREDIT RISK**

The School's current cash balance includes \$494,373 held in accounts in three banks. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an institution up to \$250,000. At June 30, 2019, cash at these institutions exceeded federally insured limits by \$244,373.

**NOTE 11 – FAIR VALUE HIERARCHY**

The Charter School recognizes its investments as fair value. The Charter School categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles which are measured on a recurring basis. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement.

Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for certain assets or liabilities. In cases where quoted market prices are not available, fair value are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the asset or liability.

Fair value measurements focus on exit prices in an orderly transaction (that is, not a forced liquidation or distressed sale) between market participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**NOTES TO AMENDED AND RESTATED FINANCIAL STATEMENTS**

**Year Ended June 30, 2019**

**NOTE 11 – FAIR VALUE HIERARCHY (Continued)**

There are three categories with the hierarchy:

Level 1: Quoted prices in active markets for identical assets and liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in markets that are not active, interest rates and yield curves observable at commonly quoted intervals, implies volatilities, credit spreads, and market-corroborated inputs.

Level 3: Unobservable inputs shall be used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flows methodologies, or similar techniques as well as instruments for which the determination of fair value requires significant management judgment.

The Charter School's investments which are measured on a recurring basis at June 30, 2019 are as follows:

	Balance at June 30, 2019	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments:</b>				
US Equity - Large Cap	\$ 13,171	\$ 13,171	\$ -	\$ -
US Equity - Mid Cap	3,389	3,389	-	-
Int'l Developed Markets	7,279	7,279	-	-
Int'l Emerging Markets	3,379	3,379	-	-
Real Estate Securities	3,199	3,199	-	-
Commodities	3,217	3,217	-	-
Fixed Income	79,791	79,791	-	-
Total Investments	<u>\$ 113,425</u>	<u>\$ 113,425</u>	<u>\$ -</u>	<u>\$ -</u>



**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**BUDGETARY COMPARISON SCHEDULE**  
**GOVERNMENTAL FUNDS**

**For the Year Ended June 30, 2019**

	<b>General Fund Budget</b>		<b>Actual by Government Fund</b>			
	<b>Budgeted Amounts</b>		<b>Total All Funds</b>	<b>General Fund</b>	<b>Capital Fund</b>	<b>Debt Service</b>
	<b>Original</b>	<b>Final</b>				
<b>REVENUES</b>						
Federal, state, and local sources	\$ 2,982,198	\$ 5,034,498	\$ 2,637,617	\$ (311,300)	\$ -	\$ 2,948,917
Capital outlay funding	162,568	162,568	332,794	-	332,794	-
Other income	131,875	131,875	119,400	119,400	-	-
<b>TOTAL REVENUES</b>	<b>3,276,641</b>	<b>5,328,941</b>	<b>3,089,811</b>	<b>(191,900)</b>	<b>332,794</b>	<b>2,948,917</b>
<b>EXPENDITURES</b>						
Instruction	1,658,553	1,662,664	1,579,868	1,579,868	-	-
Staff development	67,050	67,050	56,309	56,309	-	-
School administration	459,555	464,261	418,558	418,558	-	-
Operation and maintenance of plant	298,346	358,861	153,673	153,673	-	-
Capital asset acquisition and other capital outlay	502,074	2,223,074	3,084,936	-	332,794	2,752,142
Other programs and services	218,407	218,407	412,224	215,449	-	196,775
<b>TOTAL EXPENDITURES</b>	<b>3,203,985</b>	<b>4,994,317</b>	<b>5,705,568</b>	<b>2,423,857</b>	<b>332,794</b>	<b>2,948,917</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 72,656</b>	<b>\$ 334,624</b>	<b>\$ (2,615,757)</b>	<b>\$ (2,615,757)</b>	<b>\$ -</b>	<b>\$ -</b>

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - FRS**

**FLORIDA RETIREMENT SYSTEM (FRS)**  
**Last Six Fiscal Years \***

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Charter School's proportion of the net pension liability	0.00284966%	0.002891751%	0.002825790%	0.002353939%	0.002861927%	0.002661866%
Charter School's proportionate share of the net pension liability	\$ 490,537	\$ 176,439	\$ 364,989	\$ 594,371	\$ 846,539	\$ 801,768
Charter School's covered payroll	\$ 1,045,861	\$ 1,020,341	\$ 922,627	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	47%	17%	40%	53%	76%	71%
Plan fiduciary net position as a percentage of total pension liability	88.54%	96.09%	92.00%	84.88%	83.89%	84.26%

\* - GASB No. 68 and 71 became effective in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**PALMETTO CHARTER SCHOOL, INC.  
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY - HIS**

**RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)  
Last Six Fiscal Years \***

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Charter School's proportion of the net pension liability	0.004212025%	0.004584430%	0.004478760%	0.004130202%	0.004745034%	0.004321430%
Charter School's proportionate share of the net pension liability	\$ 366,712	\$ 428,655	\$ 456,763	\$ 481,358	\$ 507,361	\$ 457,385
Charter School's covered payroll	\$ 1,045,861	\$ 1,020,341	\$ 922,627	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	35%	42%	50%	43%	46%	41%
Plan fiduciary net position as a percentage of total pension liability	1.78%	0.99%	0.50%	0.97%	1.64%	2.15%

\* - GASB No. 68 and 71 became effective in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS - FRS**

**FLORIDA RETIREMENT SYSTEM (FRS)**  
**Last Six Fiscal Years \***

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution **	\$ 38,347	\$ 63,342	\$ 68,895	\$ 57,405	\$ 74,503	\$ 75,861
Contributions in relation to the contractually required contribution	<u>\$ 38,347</u>	<u>\$ 63,342</u>	<u>\$ 68,895</u>	<u>\$ 57,405</u>	<u>\$ 74,503</u>	<u>\$ 75,861</u>
Contribution deficiency (excess)	-	-	-	-	-	-
Charter School's covered payroll	\$ 1,045,861	\$ 1,020,341	\$ 922,627	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991
Contributions as a percentage of covered payroll	3.67%	6.21%	7.47%	5.07%	6.73%	6.76%

\* - GASB No. 68 and 71 became effective in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

\*\* - Contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS - HIS**

**FLORIDA RETIREMENT SYSTEM (FRS)**  
**Last Six Fiscal Years \***

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution **	\$ 13,798	\$ 15,705	\$ 17,121	\$ 21,170	\$ 25,112	\$ 23,435
Contributions in relation to the contractually required contribution	<u>\$ 13,798</u>	<u>\$ 15,705</u>	<u>\$ 17,121</u>	<u>\$ 21,170</u>	<u>\$ 25,112</u>	<u>\$ 23,435</u>
Contribution deficiency (excess)	-	-	-	-	-	-
Charter School's covered payroll	\$ 1,045,861	\$ 1,020,341	\$ 922,627	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991
Contributions as a percentage of covered payroll	1.32%	1.54%	1.86%	1.87%	2.27%	2.09%

\* - GASB No. 68 and 71 became effective in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

\*\* - Contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

**COMPLIANCE SECTION**

**LA MANNA HERNANDEZ P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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

To the Board of Directors of  
Palmetto Charter School, Inc.  
Palmetto, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to amended and restated 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 Palmetto Charter School, Inc. (the “School”), a charter school and component unit of the District School Board of Manatee County, Florida, as of June 30, 2019 and the related amended and restated notes to the amended and restated financial statements which collectively comprise the School’s basic financial statements, and have issued our report thereon dated November 7, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the amended and restated financial statements, we considered the School’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2019-01 that we consider to be a material weakness.

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*La Manna Hernandez PA*

La Manna Hernandez P.A.  
Certified Public Accountants

St. Petersburg, Florida

November 7, 2020



**LA MANNA HERNANDEZ P.A.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S MANAGEMENT LETTER**

To the Board of Directors and Management  
of Palmetto Charter School, Inc.  
Palmetto, Florida

**Report on the Financial Statements**

We have audited the financial statements of Palmetto Charter School, Inc. (the "School"), a component unit of the District School Board of Manatee County, Florida, as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated September 24, 2019.

**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 in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 24, 2019, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.850, *Rules of the Auditor General*, which govern the conduct of charter school entity and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in aforementioned auditor's reports:

**Prior Audit Findings**

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

## **Financial Condition and Management**

Section 10.854(1)(e)2. and 10.855(11), *Rules of the Auditor General*, requires us to apply appropriate procedures and communicate whether or not Palmetto Charter School, Inc. 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 as 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 Palmetto Charter School, Inc.. It is management's responsibility to monitor the Palmetto Charter School, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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

## **Transparency**

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

## **Additional Matters**

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

We wish to thank the Principal and her staff for their support and assistance during our audit.

## **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 the District School Board of Manatee County, and is not intended to be and should not be used by anyone other than these specified parties.

*La Manna Hernandez PA*

**La Manna Hernandez, P.A.**  
Certified Public Accountants  
St. Petersburg, Florida

September 24, 2019

**PALMETTO CHARTER SCHOOL, INC.**  
**A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**  
**SCHEDULE OF FINDINGS**

**2019-01            Prior Period Adjustment**

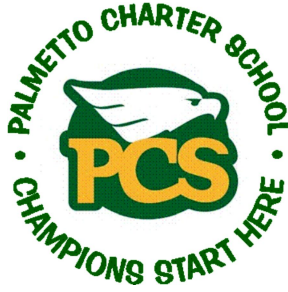
**Criteria:** Internal controls should ensure that financial statements properly present the financial position and activities of the Charter School in accordance with generally accepted accounting principles. This would include ensuring that all transactions are properly reflected in the financial statements subjected to auditing.

**Condition:** In conjunction with our audit, various audit adjustments were required to beginning net position of the government-wide financial statements in accordance with generally accepted accounting principles.

**Content/Cause:** Audit adjustments were posted to the Charter School's financial statements to properly state beginning net position. This included adjustments to recognize the Charter's School's proportionate share of deferred outflows, deferred inflows, and net pension liability in the Florida Retirement System under GASB no. 68.

**Effect:** The Charter School did not present financial statements in accordance with generally accepted accounting principles for the audit.

**Recommendation:** We recommend that the Charter School establish internal controls over financial reporting to ensure that all material accounts are reconciled and adjusted prior to the audit in accordance with generally accepted accounting principles.



## PALMETTO CHARTER SCHOOL

**Brian Bustle**

Principal

BBustle@pcsfl.org

1601 17th St W

Palmetto, FL 34221

941.723.3711 ext 257

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November 7, 2020

Re: Management's Response to Audit Finding 2019-01 – Prior Period Adjustment

To Whom It May Concern:

We agree with the Auditor's findings regarding prior period adjustments. We will ensure that all material accounts are properly reflected in the trial balance prior to the audit.

Sincerely,

Brian D. Bustle  
Principal