

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

FINANCIAL STATEMENTS

JUNE 30, 2021

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

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PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Palmetto Charter School, Inc. (the "Charter School") (a Charter School and component unit of the School District of Manatee County, Florida), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic 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 financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these 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 financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Charter School as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 - 8, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Non-GAAP Budget Basis on pages 31 - 32 and the Schedules of the Charter School's Proportionate Share of the Net Pension Liability and Schedules of the Charter School's Contributions on pages 33 - 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2021 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

*Christopher, Smith,
Leonard & Stanell, P.A.*

CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.

September 22, 2021
Bradenton, Florida

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2021

The Management Discussion and Analysis (MD&A) section of the annual financial statements of Palmetto Charter School, Inc. (the "Charter School") provides an overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2021.

Readers should review this MD&A in addition to the financial statements and the accompanying notes to the financial statements to gain an understanding of the Charter School as an operating entity.

Financial Highlights

- For the fiscal year ended June 30, 2021, the Charter School's revenues exceeded expenses as shown on the Charter School's statement of activities by \$133,856.
- As shown on the statement of net position, the Charter School reported a deficit unrestricted net position of \$68,958, which is an improvement over the June 30, 2020 deficit unrestricted net position of \$107,102.
- Unassigned fund balance as of June 30, 2021 in the General Fund increased by \$226,252 over the prior fiscal year.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Charter School's financial statements. The Charter School's basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the Charter School's overall financial condition in a manner similar to a private-sector business.

The statements include a statement of net position and a statement of activities that are designed to provide financial information about the governmental activities of the Charter School presented on the accrual basis of accounting. The statement of net position presents information on all of the assets, deferred outflows, liabilities and deferred inflows as of June 30, 2021. Net position is \$1,367,236 and is the difference between total assets plus deferred outflows less total liabilities

and deferred inflows. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating. However, to assess the overall financial position of the Charter School, one needs to consider additional non-financial factors such as changes in the Charter School student base funding level.

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

Condensed Statement of Net Position

	Governmental Activities		Change
	2021	2020	
Current and other assets	\$ 1,194,389	\$ 1,085,394	\$ 108,995
Capital assets	5,989,012	6,009,621	(20,609)
Total assets	7,183,401	7,095,015	88,386
 Deferred Outflows	644,878	588,089	56,789
 Current liabilities	71,934	144,204	(72,270)
Noncurrent liabilities	6,279,301	6,111,002	168,299
Total liabilities	6,351,235	6,255,206	96,029
 Deferred Inflows	109,808	194,518	(84,710)
 Net Position:			
Net investment in capital assets	1,436,194	1,340,482	95,712
Unrestricted	(68,958)	(107,102)	38,144
Total net position	\$ 1,367,236	\$ 1,233,380	\$ 133,856

The Statement of Activities presents information about the change in the Charter School's net position and the results of operations during the school year. Net position increased by \$133,856 during the current year. As noted in the condensed statement on page 5, revenues increased during the year by \$61,003 over the prior year. The increase is largely a direct result of an increase in full-time equivalent student count and related increase in revenue from the Florida Education Finance Program (FEFP). Expenses increased by \$243,352 largely due to increased instruction personnel costs.

The largest revenue source for the Charter School is the State of Florida. Revenues from State sources for current operations are primarily received through the FEFP funding formula. The FEFP formula utilizes student enrollment data to determine the funds available for the Charter School. The largest concentration of expenses was for instruction, which represents 61% of total expenditures.

The following is a summary of the Charter School's current year and prior year statement of activities.

Condensed Statement of Activities

	Governmental Activities		Change
	2021	2020	
Revenues			
Program revenues:			
Charges for services	\$ 87,899	\$ 121,321	\$ (33,422)
Capital grants and contributions	188,430	183,470	4,960
Total program revenues	<u>276,329</u>	<u>304,791</u>	<u>(28,462)</u>
General revenues:			
Grants and contributions not restricted to specific programs	3,200,297	3,126,750	73,547
Interest income	2,770	2,772	(2)
Investment income	15,283	(637)	15,920
Total general revenues	<u>3,218,350</u>	<u>3,128,885</u>	<u>89,465</u>
Total revenues	<u><u>3,494,679</u></u>	<u><u>3,433,676</u></u>	<u><u>61,003</u></u>
Expenses			
Instruction	2,052,539	1,916,750	135,789
Staff development	88,916	84,899	4,017
School administration	575,961	529,247	46,714
Operation and maintenance of plant	212,078	172,157	39,921
Other programs and services	194,465	224,728	(30,263)
Interest expense	236,864	189,690	47,174
Total expenses	<u><u>3,360,823</u></u>	<u><u>3,117,471</u></u>	<u><u>243,352</u></u>
Increase in Net Position	133,856	316,205	(182,349)
Net Position - Beginning, as originally stated	1,233,380	1,874,593	(641,213)
Prior period adjustments	-	(957,418)	957,418
Net Position - Beginning, as restated	<u>1,233,380</u>	<u>917,175</u>	<u>316,205</u>
Net Position - Ending	<u><u>\$ 1,367,236</u></u>	<u><u>\$ 1,233,380</u></u>	<u><u>\$ 133,856</u></u>

The government-wide financial statements can be found on pages 9 and 10 of the financial statements.

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. The Charter School, like other state and local government component units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund type in the Charter School's financial statements are governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Charter School's near term financing requirements.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the Charter 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 fund's balance sheet and the governmental fund's statement of revenues, expenditures and changes in fund balances provide a reconciliation of governmental funds to governmental activities.

The Charter School operates three funds: a General Fund, a Capital Projects Fund and a Debt Service Fund. The Charter School has elected to show each fund as a major fund.

The governmental funds financial statements, along with reconciliations to the government-wide financial statements can be found on pages 11 through 14 of this report.

The Charter School had a fund balance of \$1,122,455 in the General Fund as of June 30, 2021. Fund balance in the General Fund increased by \$181,265 due to increased FEFP revenues offset by increased personnel costs.

The Charter School's Capital Projects Fund tracks revenues and expenditures related to capital assets. For the year ended June 30, 2021, the Charter School had total capital outlay expenditures of \$218,244 which was largely due to campus construction renovations.

The Charter School's Debt Service Fund tracks proceeds from long-term debt, as well as payments for principal and interest. For the year ended June 30, 2021, the Charter School paid \$353,185 in principal and interest payments.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on beginning on page 15 of this report.

General Fund Budget

The Charter 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.

The general fund budget for the fiscal year ended June 30, 2021, was developed based on the Charter School's anticipated revenues and expenditures and the expected student population for the school year. The Board closely monitors the Charter School's financial performance relative to the tentative budget on a monthly basis. The Board made formal budget amendments to approve changes as they monitored the bottom line for the overall financial effect on the Charter School.

Original budgeted revenues were \$3,094,161 compared to final budgeted revenues of \$3,311,194. Original budgeted expenditures were \$2,551,604 compared to final budgeted expenditures of \$2,769,725. At year-end, actual revenues were less than budget by \$4,945 and actual expenditures were less than budget by \$27,740.

A schedule of revenues, expenditures and changes in fund balance comparing the budget to actual results for the General Fund is on page 31 of the financial statements.

Capital Assets

Below is a schedule of capital assets net of accumulated depreciation as of June 30, 2021 and 2020.

	Governmental Activities		Change
	2021	2020	
Land	\$ 400,000	\$ 400,000	\$ -
Building	5,206,022	5,359,289	(153,267)
Computers and software	147,084	141,005	6,079
Furniture, fixtures and equipment	87,613	30,943	56,670
Leasehold improvements	48,143	55,147	(7,004)
Library and textbooks	1,227	2,074	(847)
Vehicles	98,923	21,163	77,760
Total (net of depreciation)	<u>\$ 5,989,012</u>	<u>\$ 6,009,621</u>	<u>\$ (20,609)</u>

See Note 3 to the financial statements for additional detail of the capital asset activity for the year.

Debt Administration and Long Term Liabilities

At June 30, 2021, the total amount of the mortgage payable outstanding was \$4,552,818.

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, 2021 and 2020, the net pension liability recognized by the Charter School was \$1,726,483 and \$1,441,863, respectively.

See Note 4 to the financial statements for more details on long-term liabilities.

Economic Factors and Student Achievement

The Board has approved an operating budget for the 2021-2022 academic year. The budget demonstrates that the Charter School will have a budgeted surplus from operations of approximately \$260,000.

Requests for Information

The financial report is designed to provide a general overview of the Palmetto Charter School, Inc.'s finances for those with an interest in the Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Palmetto Charter School, Inc., 1601 17th Street West, Palmetto, Florida 34221.

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,009,140
Investments	128,691
Accounts receivable	51,469
Prepaid expenses	2,616
Deposits	2,473
Total current assets	1,194,389
Noncurrent assets	
Capital assets, net of accumulated depreciation	5,989,012
TOTAL ASSETS	7,183,401
DEFERRED OUTFLOWS OF RESOURCES – Pension	644,878
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	71,934
Total current liabilities	71,934
Noncurrent liabilities	
Due within one year	104,494
Due in more than one year	6,174,807
Total noncurrent liabilities	6,279,301
TOTAL LIABILITIES	6,351,235
DEFERRED INFLOWS OF RESOURCES – Pension	109,808
Net position	
Net investment in capital assets	1,436,194
Unrestricted	(68,958)
TOTAL NET POSITION	\$ 1,367,236

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

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Change In Net Position Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
Instruction	\$ 2,052,539	\$ -	\$ -	\$ (2,052,539)
Staff development	88,916	-	-	(88,916)
School administration	575,961	-	-	(575,961)
Operation and maintenance of plant	212,078	-	-	(23,648)
Other programs and services	194,465	87,899	-	(106,566)
Interest expense	236,864	-	-	(236,864)
Total Governmental Activities	<u>3,360,823</u>	<u>87,899</u>	<u>-</u>	<u>(3,084,494)</u>
General Revenues:				
Grants and contributions not restricted to specific programs				3,200,297
Interest income				2,770
Investment income				15,283
Total General Revenue				<u>3,218,350</u>
Change in net position				133,856
Net Position – Beginning of year				<u>1,233,380</u>
Net Position – End of year				<u>\$ 1,367,236</u>

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

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,009,140	\$ -	\$ -	\$ 1,009,140
Investments	128,691	-	-	128,691
Accounts receivable	51,469	-	-	51,469
Prepaid items	2,616	-	-	2,616
Deposits	2,473	-	-	2,473
TOTAL ASSETS	<u>\$ 1,194,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,194,389</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 71,934	\$ -	\$ -	\$ 71,934
TOTAL LIABILITIES	<u>71,934</u>	<u>-</u>	<u>-</u>	<u>71,934</u>
Fund Balances:				
Nonspendable:				
Prepaid items	2,616	-	-	2,616
Deposits	2,473	-	-	2,473
Unassigned	1,117,366	-	-	1,117,366
TOTAL FUND BALANCES	<u>1,122,455</u>	<u>-</u>	<u>-</u>	<u>1,122,455</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,194,389</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,194,389</u>

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

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Fund Balance – Governmental Funds	\$	1,122,455
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 in the governmental funds		5,989,012
Deferred outflows of resources related to pension are not recognized in the governmental funds; however, they are reported in the statement of net position		644,878
Deferred inflows of resources related to pension are not recognized in the governmental funds; however, they are reported in the statement of net position		(109,808)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Net pension liability	(1,726,483)	
Mortgages payable	<u>(4,552,818)</u>	
		<u>(6,279,301)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>1,367,236</u>

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

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUES				
Federal, state and local sources	\$ 3,192,546	\$ 188,430	\$ -	\$ 3,380,976
Contributions and fundraising	7,751	-	-	7,751
Interest income	2,770	-	-	2,770
Investment income	15,283	-	-	15,283
Other	87,899	-	-	87,899
Total Revenues	<u>3,306,249</u>	<u>188,430</u>	<u>-</u>	<u>3,494,679</u>
EXPENDITURES				
Current:				
Instruction	1,757,748	-	-	1,757,748
Staff development	83,545	-	-	83,545
School administration	529,760	-	-	529,760
Operation and maintenance of plant	176,467	-	-	176,467
Other programs and services	194,465	-	-	194,465
Capital outlay	-	218,244	-	218,244
Debt service:				
Interest and fiscal charges	-	-	236,864	236,864
Principal payments	-	-	116,321	116,321
Total Expenditures	<u>2,741,985</u>	<u>218,244</u>	<u>353,185</u>	<u>3,313,414</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	564,264	(29,814)	(353,185)	181,265
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(382,999)	29,814	353,185	-
Total Other Financing	<u>(382,999)</u>	<u>29,814</u>	<u>353,185</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	181,265	-	-	181,265
FUND BALANCE – Beginning of year	<u>941,190</u>	<u>-</u>	<u>-</u>	<u>941,190</u>
FUND BALANCE – End of year	<u>\$ 1,122,455</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,122,455</u>

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

**PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Net change in fund balance – statement of revenues,
expenditures and changes in fund balance – Governmental Funds \$ 181,265

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 are allocated over their estimated useful
lives and reported as depreciation expense. This is
the amount by which capital outlay was exceeded by
depreciation expense in the current period.

Capital outlay	218,244	
Less current depreciation	<u>(238,853)</u>	
		(20,609)

The issuance of long-term debt provides current
financial resources to governmental funds, while
the repayment of principal consumes the financial
resources of governmental funds. Neither transaction,
however, has any effect on net position.

Principal payments on long-term debt	<u>116,321</u>	
		116,321

Some expenses 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.

Increase (decrease) in deferred outflows	56,789	
(Increase) decrease in deferred inflows	84,710	
(Increase) decrease in net pension liability	<u>(284,620)</u>	
		<u>(143,121)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 133,856</u></u>
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The accompanying notes are an integral part of these financial statements.

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Palmetto Charter School, Inc. (the "Charter School") is part of the Florida system of public education under the general direction of the State Department of Education. The Charter School was organized as a not-for-profit corporation pursuant to Chapter 617, Florida Statutes, Florida Not for Profit Corporation Act, and Section 228.056, Florida Statutes. The Charter School operates under a charter approved by their sponsor, the School District 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 Charter 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 Charter 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 operations of the applicable funds controlled by or dependent upon the Charter School. In evaluating the Charter School as a reporting entity, management has addressed all potential component units for which the Charter School may or may not be financially accountable and, as such, are included in the Charter School's accompanying financial statements. No component units exist which would require inclusion in the Charter School's financial statements.

Basis of Presentation

The financial statements of the Charter School have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments, including the Charter School.

Government-wide and Fund Financial Statements

The Charter School's financial statements include both government-wide (reporting on the Charter School as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Charter School. The government-wide financial statements present governmental activities only. The Charter School has no business-type activities. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide and Fund Financial Statements – Continued

In the government-wide Statement of Net Position, the Charter School recognizes all long-term assets and receivables as well as long-term liabilities, including debt and other obligations. The Charter School's net position is reported in three parts (as applicable): (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are also included for governmental funds. The focus of a governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

The Charter School operates three funds: a General Fund, a Capital Projects Fund and a Debt Service Fund. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows, liabilities, deferred inflows, fund balance, revenues, and expenditures. The Charter School has elected to show each fund as a major fund.

The General Fund is the general operating fund of the Charter School and is used to account for all of its non-fiduciary financial resources and activity unrelated to capital projects or debt service.

The Capital Projects Fund is used to account for all capital activity of the Charter School.

The Debt Service Fund is used to account for all proceeds and payments, including interest of the Charter School's mortgages.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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 the related cash flows.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

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 government considers revenues to be available, if they are collected within 60 days of the end of the current period. When grant terms provide that the expenditure of resources is the determining factor for eligibility for Federal, state and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Revenues for current operations received from the School District of Manatee County, Florida, pursuant to funding provisions included in the Charter School's charter are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Charter School.

Cash and Cash Equivalents

The Charter School's cash and cash equivalents consists of deposits with financial institutions that are insured by the Federal Depository Insurance Corporation (FDIC). The Charter School's cash consists primarily of demand deposits and savings accounts. At June 30, 2021, the carrying amount of the Charter School's deposits was \$1,009,140 and the bank balances were \$1,135,918. At June 30, 2021, the Charter School's cash balances in excess of FDIC limits was approximately \$808,000.

Capital Assets

Capital assets, which include leasehold improvements and furniture, fixtures and equipment, are reported in the government-wide financial statements and are not reported in the fund financial statements. Capital assets purchased during the year are reported in the governmental funds as expenditures at the time of purchase. Capital assets are defined by the Charter School as any individual asset with an initial cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives of the various classes of depreciable assets vary from 3 to 15 years.

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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows of Resources – 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.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance: Generally, fund balance represents the difference between the assets plus deferred outflows and liabilities plus deferred inflows under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the Charter School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Fund balances are classified as follows:

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (1) not in spendable form (i.e., items that are not expected to be converted to cash) or (2) legally or contractually required to be maintained intact. The Charter School classifies prepaid expenses and deposits as nonspendable.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed 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 Charter School classifies 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:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraint imposed by formal action of the highest level of decision-making authority (i.e. the Charter 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 Charter School did not have any committed fund balances at June 30, 2021.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by the Charter School’s intent to be used for specific purposes, but are 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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity – Continued

- *Unassigned:* Fund balances are reported as unassigned as the residual amount when balances do not meet any of the above criterion. The Charter School reports positive unassigned fund balance as of June 30, 2021.

Net Position: Net position represents the difference between assets plus deferred outflows less liabilities and less deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. Net position not reported as net investment in capital assets and restricted net position is reported as unrestricted net position.

Flow Assumptions: When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to first use committed, then assigned and unassigned.

Budgetary Information

An annual budget was adopted by the Board of Directors for the General Fund. 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 up until sixty days after year end. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

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 in the subsequent year's appropriations.

Revenue 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. The General Fund's fund balance representing any unexpended balances of categorical educational program resources are reserved for.

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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 that are not spent at the end of the fiscal year are reported as restricted.

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.

Estimates

The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – INVESTMENTS

The Charter School has investments of \$128,691 that are reported at fair value. While the Charter School does not have an investment policy, a moderately conservative approach has been selected with the broker as approved by the Board of Directors. Additionally, the Charter School does not have a formal investment policy for credit risk, interest rate risk, custodial credit risk, concentration of credit risk, or foreign currency risk. The investments consist of mutual funds totaling \$120,486 and exchange-traded products of \$8,205. These investments are unrated.

See Note 9 for additional information regarding fair value.

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NOTE 3 – CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2021, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 400,000	\$ -	\$ -	\$ 400,000
Total capital assets, not being depreciated	400,000	-	-	400,000
Capital assets being depreciated:				
Building	5,801,495	-	-	5,801,495
Computers and software	318,954	55,852	-	374,806
Furniture, fixtures and equipment	166,117	59,134	-	225,251
Leasehold improvements	73,493	-	-	73,493
Library and textbooks	80,457	-	-	80,457
Vehicles	30,488	103,258	-	133,746
Total capital assets being depreciated	6,471,004	218,244	-	6,689,248
Less accumulated depreciation:				
Building	442,206	153,267	-	595,473
Computers and software	177,949	49,773	-	227,722
Furniture, fixtures and equipment	135,174	2,464	-	137,638
Leasehold improvements	18,346	7,004	-	25,350
Library and textbooks	78,383	847	-	79,230
Vehicles	9,325	25,498	-	34,823
Total accumulated depreciation	861,383	238,853	-	1,100,236
Total capital assets, being depreciated, net	5,609,621	(20,609)	-	5,589,012
Capital assets, net	<u>\$ 6,009,621</u>	<u>\$ (20,609)</u>	<u>\$ -</u>	<u>\$ 5,989,012</u>

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NOTE 3 – CAPITAL ASSETS – CONTINUED

Depreciation expense in the amount of \$238,853 for the year ended June 30, 2021, was allocated to the following governmental functions:

Instruction	\$	175,346
School administration		27,896
Operation and maintenance of plant		35,611
		\$ 238,853

NOTE 4 – LONG-TERM LIABILITIES

The Charter School has a mortgage payable to BBVA Bank in the original principal amount of \$4,700,000, repayable in monthly principal and interest installments of \$27,806. Interest is fixed at 5.05% and the mortgage matures in fiscal year 2045. The mortgage is secured by the Charter School's land, buildings, building improvements, and easements. Annual maturities of principal and interest payments on the mortgage are as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 104,494	\$ 229,174	\$ 333,668
2023	109,935	223,733	333,668
2024	115,659	218,009	333,668
2025	121,682	211,987	333,669
2026	128,018	205,651	333,669
2027-2031	747,295	921,047	1,668,342
2032-2036	963,197	705,145	1,668,342
2037-2041	1,241,475	426,867	1,668,342
2042-2046	1,021,063	91,166	1,112,229
	\$ 4,552,818	\$ 3,232,779	\$ 7,785,597

The mortgage agreement defines default as a breach of any covenant, term or condition that continues beyond any applicable notice and cure period, which would include the failure to make required payments. In the event of default, the bank may declare the entire amount of the principal and accrued and unpaid interest to be immediately due and payable. The bank may also take possession of the mortgaged premises and seek foreclosure, in addition to any other remedies available by law.

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NOTE 4 – LONG-TERM LIABILITIES – CONTINUED

Long-term liability activity for the year ended June 30, 2021 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgage payable from direct borrowing	\$ 4,669,139	\$ -	\$ (116,321)	4,552,818	\$ 104,494
Net pension liability	1,441,863	284,620	-	1,726,483	-
	<u>\$ 6,111,002</u>	<u>\$ 284,620</u>	<u>\$ (116,321)</u>	<u>\$ 6,279,301</u>	<u>\$ 104,494</u>

NOTE 5 – ECONOMIC DEPENDENCE

For the year ended June 30, 2021, revenues from program services from the School Board represented ninety-five (95%) 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.

NOTE 6 – RISK MANAGEMENT PROGRAMS

The Charter 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 Charter School has purchased commercial insurance for all types of claims with nominal deductible amounts. The Charter School has not had any reduction in insurance coverage and the amount of claims resulting from these risks has not exceeded insurance coverage for the last three years. Settled claims have not exceeded the commercial excess coverage in the past year.

NOTE 7 – DEFINED BENEFIT RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM

Plan Description

All part-time and full-time permanent employees of the Charter School are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at <http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

Under this system, there are two defined benefit pension plans: The Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program:

- 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 Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes.

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NOTE 7 – DEFINED BENEFIT RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under the FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

Plan Provisions

If first employed prior to July 1, 2011: Normal retirement age for “regular” employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

If first employed on or after July 1, 2011: Normal retirement age for “regular” employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years’ earnings.

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into, which require employees to contribute 3% and employers to contribute based on class. The Charter School’s contractually required contribution rate for the year ended June 30, 2021 was 10.00% for regular employees and 16.98% for employees in the DROP program of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Charter School were \$111,181 for the year ended June 30, 2021, which equaled required contributions and approximated 10.00% of covered payroll.

The HIS Program is funded by required contributions of 1.66% and is included in the contribution rates noted above.

As of June 30, 2021, the Charter School had employee and employer contributions totaling \$5,736 and \$19,119, respectively, due to the FRS Plan.

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NOTE 7 – DEFINED BENEFIT RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

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

At June 30, 2021, the Charter School reported a liability of \$1,726,483 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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. 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, 2020, the Charter School's proportion was 0.002715252% for FRS and 0.004501724% for HIS which was consistent with its proportion measured in the previous year.

Pertaining to the June 30, 2020 measurement, the Charter School recognized pension expense of \$292,942. Additionally, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 45,040	\$ -	\$ 22,484	\$ 425
Changes in assumptions	213,043	-	59,103	31,960
Net difference between projected and actual earnings on pension plan investments	70,070	-	439	-
Change in proportion and differences between contributions and proportionate share of contributions	38,026	33,980	46,877	43,443
Charter School contributions subsequent to the June 30, 2020 measurement date	121,480	-	28,316	-
	<u>\$ 487,659</u>	<u>\$ 33,980</u>	<u>\$ 157,219</u>	<u>\$ 75,828</u>

Total deferred outflows were \$644,878 and total deferred inflows were \$109,808. \$121,480 (FRS) and \$28,316 (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, 2022.

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NOTE 7 – DEFINED BENEFIT RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

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
2022	\$ 58,443	\$ 7,399
2023	58,443	7,399
2024	58,443	7,399
2025	58,443	7,399
2026	58,443	7,398
Thereafter	39,984	16,081
	\$ 332,199	\$ 53,075

Actuarial Assumptions

The total pension liability in the July 1, 2020 actuarial valuation (June 30, 2020 measurement date) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	7.00 percent, including inflation at 2.40%

Mortality assumptions for the FRS and HIS plans 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-2010 with Projection Scale MP-2018 tables.

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study performed in 2020 for the period July 1, 2013 – 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 2020 by the outside investment consultants to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2020 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.

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NOTE 7 – DEFINED BENEFIT RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1.0%	2.2%
Fixed income	19.0%	3.0%
Global equity	54.2%	8.0%
Real estate	10.3%	6.4%
Private equity	11.1%	10.8%
Strategic investments	4.4%	5.5%

Discount Rate

The discount rate used to measure the total FRS pension liability was 6.80%, and the HIS pension liability was 2.21%. The HIS rate decreased from 3.50% to 2.21% in the most recent actuarial study. 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 changes in actuarial assumptions occurred in the 2020 valuation:

- FRS: The discount rate and the long-term expected rate of return was decreased from 6.90% to 6.80%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.50% to 2.21%. Additionally, the mortality assumption was changed from the Generational RP–2000 with Projection Scale BB tables to the Generational RP–2010 with Projection Scale MP–2018.

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 6.80%, 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 or 1–percentage–point higher than the current rate:

	<u>1% Decrease (5.80%)</u>	<u>Discount Rate (6.80%)</u>	<u>1% Increase (7.80%)</u>
Charter School’s proportionate share of the FRS net pension liability	\$ 1,879,200	\$ 1,176,830	\$ 590,208

**PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 7 – DEFINED BENEFIT RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

The following presents the Charter School’s proportionate share of the HIS net pension liability calculated using the discount rate of 2.21%, 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–percent–point lower or 1–percentage–point higher than the current rate:

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Charter School’s proportionate share of the HIS net pension liability	\$ 635,375	\$ 549,653	\$ 479,490

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	\$ 487,659	\$ 1,176,830	\$ 33,980
HIS	157,219	549,653	75,828
	\$ 644,878	\$ 1,726,483	\$ 109,808

NOTE 8 – DEFINED CONTRIBUTION RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM

In addition to the Charter School’s participation in the FRS defined benefit pension plan, some employees of the Charter School have elected to participate in the FRS’ alternative pension plan which is a defined contribution plan officially titled the Florida Retirement System Investment Plan (Investment Plan).

The Florida Legislature establishes and amends the contribution requirements and benefit terms of the plan. The Investment Plan is administered by the State Board of Administration, which is also the plan sponsor. Costs of administering the plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06% of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for the FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump–sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided for total and

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 8 – DEFINED CONTRIBUTION RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

permanent disability. The member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension, or remain in the Investment Plan and rely on that account balance for retirement income.

Similar to the defined benefit plan, employees are required to contribute 3% and employers are required to contribute based on class. The Charter School's contractually required contribution rate for the year ended June 30, 2021 was 10.00% for regular employees and 16.98% for employees in the DROP program of annual payroll. Contributions are directed to the individual member accounts, and individual members allocate contributions and account balances among various approved investment choices. The Charter School had 15 participants in the Investment Plan during fiscal 2021 and employer contributions totaled \$59,790. As of June 30, 2021, the Charter School had employee and employer contributions totaling \$14,651 due to the Investment Plan.

NOTE 9 – FAIR VALUE HIERARCHY

The Charter School recognizes its investments as fair value. The Charter School categorizes its fair value measurements within 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 date.

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 values 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.

There are three categories within the hierarchy:

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

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS

NOTE 9 – FAIR VALUE HIERARCHY – CONTINUED

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, implied 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, 2021 are as follows:

	Balance at June 30, 2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
US Equity – Large Cap	\$ 16,325	\$ 16,325	\$ –	\$ –
US Equity – Mid Cap	5,620	5,620	–	–
Int'l Developed Markets	10,334	10,334	–	–
Int'l Emerging Markets	5,041	5,041	–	–
Real Estate Securities	4,022	4,022	–	–
Commodities	3,414	3,414	–	–
Fixed Income	83,935	83,935	–	–
Total investments	<u>\$ 128,691</u>	<u>\$ 128,691</u>	<u>\$ –</u>	<u>\$ –</u>

NOTE 10 – CONTINGENCIES

Management is continuing to evaluate the risks associated with the COVID-19 pandemic and implement risk mitigation tactics on the risk of impact, if any, of COVID-19 as it relates to all aspects of the Charter School’s operations. However, the Charter School cannot, at this time, make a determination on the ultimate impacts of the COVID-19 pandemic.

NOTE 11 – SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events through September 22, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
NON-GAAP BUDGET BASIS
FOR THE YEAR ENDED JUNE 30, 2021

GENERAL FUND				
REVENUES	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
Federal, state and local sources	\$ 2,942,616	\$ 3,190,169	\$ 3,192,546	\$ 2,377
Contributions and fundraising	36,832	6,832	7,751	919
Interest income	700	700	2,770	2,070
Investment income	700	700	15,283	14,583
Other	113,313	112,793	87,899	(24,894)
Total Revenues	<u>3,094,161</u>	<u>3,311,194</u>	<u>3,306,249</u>	<u>(4,945)</u>
EXPENDITURES				
Current:				
Instruction	1,680,080	1,745,253	1,757,748	(12,495)
Staff development	64,720	91,420	83,545	7,875
School administration	460,195	483,813	529,760	(45,947)
Operation and maintenance of plant	167,530	172,040	176,467	(4,427)
Other programs and services	179,079	277,199	194,465	82,734
Total Expenditures	<u>2,551,604</u>	<u>2,769,725</u>	<u>2,741,985</u>	<u>27,740</u>
NET CHANGE IN FUND BALANCE	542,557	541,469	564,264	22,795
FUND BALANCE – Beginning of year	<u>941,190</u>	<u>941,190</u>	<u>941,190</u>	<u>-</u>
FUND BALANCE – End of year	<u>\$ 1,483,747</u>	<u>\$ 1,482,659</u>	<u>\$ 1,505,454</u>	<u>\$ 22,795</u>

**RECONCILIATION OF DIFFERENCES BETWEEN NON-GAAP BUDGETARY BASIS AND GAAP
(MODIFIED ACCRUAL) BASIS**

The Charter School did not budget for transfers in (out) to the Capital Projects Fund and Debt Service Fund. The following schedule reconciles the actual amount on the budget basis to the actual amount on the GAAP basis as presented on page 13.

	Actual On GAAP Basis	To Budgetary Basis	Actual On Budget Basis
Excess of revenues over (under) expenditures	\$ 564,264	\$ -	\$ 564,264
Other financing sources (uses) – Transfers in (out)	\$ (382,999)	\$ 382,999	\$ -
Total other financing sources (uses)	\$ (382,999)	\$ 382,999	\$ -
Net change in fund balance	<u>\$ 181,265</u>	<u>\$ 382,999</u>	<u>\$ 564,264</u>

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET

NOTE 1 – BUDGETARY INFORMATION

An annual budget was adopted for the General Fund on the modified accrual basis of accounting, except for transfers in (out), and is used to account for the activity in the General Fund. Appropriations are controlled at the fund level. All annual appropriations lapse at fiscal year-end.

Revenues were in less than budget in the amount of \$4,945 and expenditures were less than appropriations in the amount of \$27,740.

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - FRS

FLORIDA RETIREMENT SYSTEM (FRS)
Last Eight Fiscal Years *

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Charter School's proportion of the net pension liability	0.002849566%	0.002891751%	0.002825790%	0.002353939%
Charter School's proportionate share of the net pension liability	\$ 490,537	\$ 176,439	\$ 364,989	\$ 594,371
Charter School's covered payroll	\$ 1,045,861	\$ 1,020,341	\$ 922,627	\$ 1,131,651
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	47%	17%	40%	53%
Plan fiduciary net position as a percentage of total pension liability	88.54%	96.09%	92.00%	84.88%

* – 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 CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - FRS - CONTINUED

FLORIDA RETIREMENT SYSTEM (FRS)
Last Eight Fiscal Years *

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Charter School's proportion of the net pension liability	0.002861927%	0.002661866%	0.002700062%	0.002715252%
Charter School's proportionate share of the net pension liability	\$ 846,539	\$ 801,768	\$ 929,864	\$ 1,176,830
Charter School's covered payroll	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	76%	71%	84%	106%
Plan fiduciary net position as a percentage of total pension liability	83.89%	84.26%	82.61%	78.85%

**PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT 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 Eight Fiscal Years *

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Charter School's proportion of the net pension liability	0.004212025%	0.004584430%	0.004478760%	0.004130202%
Charter School's proportionate share of the net pension liability	\$ 366,712	\$ 428,655	\$ 456,763	\$ 481,358
Charter School's covered payroll	\$ 1,045,861	\$ 1,020,341	\$ 922,627	\$ 1,131,651
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	35%	42%	50%	43%
Plan fiduciary net position as a percentage of total pension liability	1.78%	0.99%	0.50%	0.97%

* – 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 CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY - HIS - CONTINUED**

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Charter School's proportion of the net pension liability	0.004745034%	0.004321430%	0.004475917%	0.004501724%
Charter School's proportionate share of the net pension liability	\$ 507,361	\$ 457,385	\$ 511,999	\$ 549,653
Charter School's covered payroll	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	46%	41%	46%	49%
Plan fiduciary net position as a percentage of total pension liability	1.64%	2.15%	2.63%	3.00%

**PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS – FRS**

FLORIDA RETIREMENT SYSTEM (FRS)
Last Eight Fiscal Years *

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

* – 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 CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS - FRS - CONTINUED**

FLORIDA RETIREMENT SYSTEM (FRS)
Last Eight Fiscal Years *

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution **	\$ 74,503	\$ 75,861	\$ 83,721	\$ 90,216
Contributions in relation to the contractually required contribution	<u>74,503</u>	<u>75,861</u>	<u>83,721</u>	<u>90,216</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Charter School's covered payroll	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817
Contributions as a percentage of covered payroll	6.73%	6.76%	7.57%	8.11%

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS- HIS

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

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

* - 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 CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS- HIS - CONTINUED

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

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution **	\$ 25,112	\$ 23,435	\$ 25,410	\$ 25,941
Contributions in relation to the contractually required contributions	<u>25,112</u>	<u>23,435</u>	<u>25,410</u>	<u>25,941</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Charter School's covered payroll	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817
Contributions as a percentage of covered payroll	2.27%	2.09%	2.30%	2.33%

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This 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 2020 for the period July 1, 2013, through June 30, 2018. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this 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 the FRS and HIS plans were determined by an actuarial valuation as of July 1, 2020. Both plans used the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.40%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.80%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 2.21% was used to determine the total pension liability for the program. Mortality assumptions for the FRS plan was 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-2010 with Projection Scale MP-2018 tables.

The following changes in actuarial assumptions occurred in 2020:

- FRS: The discount rate and long-term expected rate of return was decreased from 6.90% to 6.80%.
- HIS: The municipal rate used to determine total pension liability decreased from 3.50% to 2.21%. Additionally, the mortality assumption was changed from the Generational RP-2000 with Projection Scale BB tables to the Generational RP-2010 with Projection Scale MP-2018.

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

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

We have audited, 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, the financial statements of the governmental activities and each major fund of Palmetto Charter School, Inc. (the "Charter School") (a Charter School and component unit of the School District of Manatee County, Florida), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Charter School's basic financial statements and have issued our report thereon dated September 22, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter 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 Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*Christopher, Smith,
Leonard & Stanell, P.A.*

**CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.**

September 22, 2021
Bradenton, Florida

MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of Palmetto Charter School, Inc. (the “Charter School”) (a Charter School and component unit of the School District of Manatee County, Florida) as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated September 22, 2021.

Auditor’s Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which is dated September 22, 2021, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title and the school code assigned by the Florida Department of Education of the entity are Palmetto Charter School, Inc. and 2131.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the Charter School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that the Charter 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 Charter School. It is management's responsibility to monitor the Charter School's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by the 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 Charter School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Charter School maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

*Christopher, Smith,
Leonard & Stanell, P.A.*

**CHRISTOPHER, SMITH,
LEONARD & STANELL, P.A.**

September 22, 2021
Bradenton, Florida