

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

ANNUAL FINANCIAL REPORT

Year Ended June 30, 2017

LA MANNA HERNANDEZ P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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LA MANNA HERNANDEZ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Palmetto Charter School, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Palmetto Charter School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements, which collectively comprise the 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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Palmetto Charter School, Inc. as of June 30, 2017, 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.

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 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 Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2017, 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.



La Manna Hernandez, PA
Certified Public Accountants
Bradenton, Florida
September 26, 2017

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

Year Ended June 30, 2017

Our discussion and analysis of the Palmetto Charter School, Inc.'s (the "School") financial performance provides an overview of the School's activities for the fiscal year ended June 30, 2017. Please read it in conjunction with the accompanying financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2017 are presented under GASB 34. The financial statements have three components 1) government-wide financial statements, 2) fund financial, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

The government-wide financial statements can be found on pages 6-7 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All the funds of the School are governmental funds. Government funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

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

Year Ended June 30, 2017

The basic governmental fund financial statements can be found on pages 8-11 of this report.

Notes to Financial Statement

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

The notes to the financial statements can be found on pages 12-22 of this report

Financial Analysis

Over time, net assets may serve as a useful indicator of the School's financial position. At the close of the fiscal year, assets exceed liabilities by \$1,088,701. Sixty-one percent (61%) of net assets represents investment in capital assets and thus are not available for future spending. Conversion to GASB 34 does not allow net assets to be represented as "reserved" unless there are external legal restriction on how they may be used.

The following is a summary of changes in the statement of net assets:

	<u>2017</u>	<u>2016</u>
Total assets	\$ <u>4,097,441</u>	\$ <u>4,056,707</u>
Total liabilities	\$ <u>3,008,740</u>	\$ <u>3,254,715</u>
Net Assets:		
Unrestricted	\$ 426,354	\$ 243,188
Restricted	-	-
Invested in capital assets, Net of related debt	<u>662,347</u>	<u>558,804</u>
	<u>\$ 1,088,701</u>	<u>\$ 801,992</u>

Total assets increased by \$40,734 due to increases in cash and prepaid expenses; and total liabilities decreased by \$245,975 due primarily to a decreases in notes payable and accrued expenses.

The following is a summary of changes in the statement of activities:

	<u>2017</u>	<u>2016</u>
Total expenses	\$ 2,492,800	\$ 2,584,351
Less: program revenues	<u>353,819</u>	<u>264,487</u>
Net program expense	2,318,981	2,319,864
General revenues	<u>2,425,690</u>	<u>2,423,244</u>
Change in net assets	<u>\$ 286,709</u>	<u>\$ 103,380</u>

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

Year Ended June 30, 2017

Total expenses decreased in 2017, by approximately \$91,500 over the prior fiscal year. This decrease is primarily a result of mortgage interest decreases. General revenues increased by approximately \$89,000 due to an increase in contributions. The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the General Fund unreserved fund balance totaled \$426,354 compared to \$243,188 at the end of the previous year. As a measure of liquidity, it may be useful to compare the General Fund unreserved fund balance to General Fund total expenses. General Fund unreserved fund balance represents 17.1% of the total expenses.

Revenue was approximately \$183,166 greater than expenses in the General Fund in the current year due to the increases in revenues mentioned above.

The overall financial position and results of operations for the School improved for the fiscal year ended June 30, 2017. The School met its operating budget and all significant educational legal compliance requirements. It is expected that net assets will stabilize over the next few years.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School'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, 1601 17th Street West, Palmetto, Florida 34221.

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

STATEMENT OF NET POSITION
June 30, 2017 and 2016

	2017	2016
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 373,754	\$ 339,198
Investments	45,092	-
Accounts receivable	11,321	9,636
Prepaid expenses	44,587	18,189
Deposits	350	350
Total current assets	475,104	367,373
Capital assets, net of accumulated depreciation and amortization	3,622,337	3,689,334
Restricted cash	-	-
Total Assets	\$ 4,097,441	\$ 4,056,707
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	\$ 48,750	\$ 124,185
Note payable, due within one year	182,475	236,214
Total current liabilities	231,225	360,399
Long-term liabilities:		
Notes payable	2,777,515	2,894,316
Total liabilities	3,008,740	3,254,715
NET POSITION		
Invested in capital assets, net of accumulated depreciation, amortization and related debt	662,347	558,804
Restricted	-	-
Unrestricted	426,354	243,188
Total net position	1,088,701	801,992
Total Liabilities and Net Position	\$ 4,097,441	\$ 4,056,707

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

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

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017
With Comparative Totals For 2016

Function/Program	2017				2016	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position	(Memo Total)
Component Unit Activities:						
Instruction	\$ 1,350,426	\$ -	\$ 128,205	-	\$ (1,222,221)	\$ (1,317,585)
Staff development	41,723	-	-	-	(41,723)	(44,333)
School administration	359,571	-	-	-	(359,571)	(392,209)
Operation and maintenance of plant	239,870	-	-	102,311	(137,559)	(166,198)
Other programs and services	501,210	123,303	-	-	(377,907)	(399,539)
Total Governmental Activities	\$ 2,492,800	\$ 123,303	\$ 128,205	\$ 102,311	(2,138,981)	(2,319,864)
General Revenues:						
FTE non-specific revenues					2,424,356	2,423,188
Interest income					383	56
Investment income					951	-
Total general revenues					2,425,690	2,423,244
Change in net position					286,709	103,380
Net position - beginning					801,992	698,612
Net position - ending					\$ 1,088,701	\$ 801,992

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

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

BALANCE SHEET
June 30, 2017 and 2016

	<u>2017</u>			<u>2016</u>
	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>	<u>(Memo Total)</u>
ASSETS				
Cash and cash equivalents	\$ 373,754	\$ -	\$ 373,754	\$ 339,198
Investments	45,092	-	45,092	-
Accounts receivable	11,321	-	11,321	9,636
Prepaid expenses	44,587	-	44,587	18,189
Deposits	350	-	350	350
Restricted cash	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total Assets	<u>\$ 475,104</u>	<u>\$ -</u>	<u>\$ 475,104</u>	<u>\$ 367,373</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>\$ 48,750</u>	<u>\$ -</u>	<u>\$ 48,750</u>	<u>\$ 124,185</u>
FUND BALANCES				
Nonspendable:				
Prepaid expense	44,587	-	44,587	18,189
Deposits	350	-	350	350
Total nonspendable	<u>44,937</u>	<u>-</u>	<u>44,937</u>	<u>18,539</u>
Unassigned	<u>381,417</u>	<u>-</u>	<u>381,417</u>	<u>224,649</u>
Total fund balances	<u>426,354</u>	<u>-</u>	<u>426,354</u>	<u>243,188</u>
Total Liabilities and Fund Balances	<u>\$ 475,104</u>	<u>\$ -</u>	<u>\$ 475,104</u>	<u>\$ 367,373</u>

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

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

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

For the Year Ended June 30, 2017

Total Fund Balance - Governmental Funds	\$ 426,354
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.	3,622,337
Related debt not reported as liabilities in the governmental funds.	<u>(2,959,990)</u>
Total Net Position of Governmental Activities	<u>\$ 1,088,701</u>

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

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

For the Year Ended June 30, 2017
With Comparative Totals for 2016

	2017				2016	
	General Fund		Capital	Debt	Total	(Memo Total)
	Unreserved	Reserved	Projects Fund	Service		
REVENUES AND OTHER ADDITIONS						
Federal, state, and local sources	\$ 2,565,865	\$ -	\$ -	\$ -	\$ 2,565,865	\$ 2,545,032
Contributions and fund raising	88,009	-	-	-	88,009	18,470
Interest income	383	-	-	-	383	56
Investment income	951	-	-	-	951	-
Miscellaneous income	124,301	-	-	-	124,301	124,173
Transfers - internal activities	(347,973)	-	207,228	140,745	-	-
Total Revenues and Other Additions	<u>2,431,536</u>	<u>-</u>	<u>207,228</u>	<u>140,745</u>	<u>2,779,509</u>	<u>2,687,731</u>
EXPENDITURES						
Instruction	1,235,156	-	-	-	1,235,156	1,262,761
Staff development	41,723	-	-	-	41,723	44,333
School administration	338,817	-	-	-	338,817	368,727
Operation and maintenance of plant	131,464	-	102,311	-	233,775	214,711
Capital asset acquisition	-	-	104,917	-	104,917	328,998
Other programs and services	501,210	-	-	-	501,210	542,182
Debt service:						
Interest	-	-	-	140,745	140,745	
Total Expenditures	<u>2,248,370</u>	<u>-</u>	<u>207,228</u>	<u>140,745</u>	<u>2,596,343</u>	<u>2,761,712</u>
AND TRANSFERS OVER EXPENDITURES	183,166	-	-	-	183,166	(73,981)
Fund Balances - Beginning of Year	<u>243,188</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,188</u>	<u>317,169</u>
FUND BALANCES - END OF YEAR	<u>\$ 426,354</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,354</u>	<u>\$ 243,188</u>

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

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

**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, 2017

Change in Fund Balance - Governmental Funds \$ 183,166

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, net of debt	245,662	
Depreciation and amortization expense	(142,119)	
	103,543	103,543

Change in Net Position of Governmental Activities \$ 286,709

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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Palmetto Charter School, Inc. (the “School”) is part of the Florida system of public of 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 FINANCIAL STATEMENTS

Year Ended June 30, 2017

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, 2017, 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 FINANCIAL STATEMENTS

Year Ended June 30, 2017

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.

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.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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.

Subsequent Events

Subsequent events have been evaluated through September 26, 2017, which is the date the financial statements were issued.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2016, from which the summarized information was derived.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Adjustments were made to include capital assets (net of accumulated depreciation and amortization) and long-term liabilities on the statement of net position. This resulted in a net difference between ending governmental fund balances and total net position of \$662,347 as follows:

Ending fund balances	\$ 426,354
Capital assets, net	<u>662,347</u>
Total net position	<u>\$1,088,701</u>

Adjustments were made to include depreciation expense, eliminate capital outlay expenditures, eliminate principal payments on notes payable, and eliminate proceeds from loan on the statement of activities. This resulted in a net difference between “excess expenditures over revenues and transfers” and “change in net position” of \$286,709, as follows:

Excess of revenues and transfers over expenditures	\$ 183,166
Add: Capital asset purchases, net of debt	245,662
Less: Depreciation and amortization expense	<u>(142,119)</u>
Change in net position	<u>\$ 286,709</u>

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 3 – CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>(Decrease)</u> <u>Increase</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets being depreciated/amortized:			
Building	\$ 3,245,641	\$ -	\$ 3,245,641
Computers & software	130,058	38,144	168,202
Furniture, fixtures and equipment	131,028	3,382	134,410
Land	400,000	-	400,000
Leasehold improvements	35,681	21,096	56,777
Library and textbooks	80,457	-	80,457
Vehicles	<u>1,000</u>	<u>12,500</u>	<u>13,500</u>
Total capital assets being depreciated:	<u>4,023,865</u>	<u>75,122</u>	<u>4,098,987</u>
Less accumulated depreciation for:			
Building	(100,582)	(83,218)	(183,800)
Computers & software	(75,678)	(27,036)	(102,714)
Furniture, fixtures, and equipment	(95,721)	(16,392)	(112,113)
Land	-	-	-
Leasehold improvements	(2,964)	(2,720)	(5,684)
Library and textbooks	(58,586)	(11,503)	(70,089)
Vehicles	<u>(1,000)</u>	<u>(1,250)</u>	<u>(2,250)</u>
Total accumulated depreciation	<u>(334,531)</u>	<u>(142,119)</u>	<u>(476,650)</u>
Total capital assets, net	<u>\$ 3,689,334</u>	<u>\$ (66,997)</u>	<u>\$ 3,622,337</u>

Depreciation and amortization was charged to functions as follows:

Instructional	\$ 115,270
School Administration	20,754
Other programs and services	<u>6,095</u>
	<u>\$ 142,119</u>

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

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 2016 - 2017. Settled claims have not exceeded the commercial excess coverage in the past year.

NOTE 5 – MORTGAGES PAYABLE

Mortgages payable consist of the following at June 30, 2017:

4.5% mortgage, note payable to Capital Impact Partners, secured by the School, repayable in monthly installments of \$23,6369, including interest, until April 30, 2021.	\$ 2,906,460
6.75% mortgage, payable to Church on the Rock, secured by the School, repayable in monthly installments of \$2,296, including interest, until April 15, 2025.	<u>53,530</u>
	<u>\$ 2,959,990</u>

Annual maturities on the long term debt, for the five years following June 30, 2017:

Year Ended June 30,	Amount
2018	\$ 182,475
2019	188,006
2020	169,478
2021	177,264
2022	185,407
Thereafter	<u>2,057,360</u>
Total	<u>\$ 2,959,990</u>

Interest expense for the current year was approximately \$141,000.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

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 School leases one copier under a long-term operating lease. Lease payments are approximately \$188 per month and the lease expires September 28, 2017. The School pays insurance and other costs on behalf of the landlord, as required by the leases.

The aggregate minimum rental commitments at June 30, 2017 under the lease are summarized as follows:

Year Ended June 30,	Amount
2018	\$ 55,692
2019	54,000
2020	54,000
2021	-
2022	-
Thereafter	<u>-</u>
Total	<u>\$ 163,692</u>

Rental expense for the current year was approximately \$58,677.

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** – 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** – 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

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 7 - FUND BALANCE REPORTING (Continued)

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 – 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, 2017.
- Assigned – 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 – 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.

The following is a schedule of fund balances by category as of June 30, 2017:

Nonspendable:	
General Fund:	
Prepaid expense	\$ 44,587
Deposits	350
Total Nonspendable	44,937
Total Unassigned	381,417
Total Ending Fund Balance	\$ 426,354

NOTE 8 – ECONOMIC DEPENDENCE

For the year ended June 30, 2017, revenue of program services from the School Board represented ninety two (92%) 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 FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 9 - RETIREMENT PROGRAM

Defined Benefit Plan

All regular employees of the School are covered by the Florida Retirement System (“FRS”). The FRS is primarily a State-administered, cost-sharing, multiple-employer, defined benefit retirement plan (“Plan”). 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 2017.

Funding Policy

The contribution rates for members are established, and may be amended, by the State of Florida. During the 2017 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.

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

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2017

NOTE 9 - RETIREMENT PROGRAM (Continued)

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, 2017 totaled approximately \$113,215, 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.

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 9 PEORP participants during fiscal 2017.

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.

NOTE 10 – CONCENTRATIONS OF CREDIT RISK

The School's current cash balance includes \$373,754 held in two bank accounts. The Federal Deposit Insurance Corporation (FDIC) insures accounts at an institution up to \$250,000. At June 30, 2017, cash at these institutions exceeded federally insured limits by \$21,227.

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, 2017

	<u>General Fund Budget</u>		<u>Actual by Government Fund</u>		
	<u>Budgeted Amounts</u>		<u>Total All Funds</u>	<u>General Fund</u>	<u>Capital Fund</u>
	<u>Original</u>	<u>Final</u>			
REVENUES					
Federal, state, and local sources	\$ 2,455,925	\$ 2,458,425	\$ 2,358,637	\$ 2,358,637	\$ -
Capital outlay funding	105,000	105,000	207,228	-	207,228
Other income	205,644	209,706	213,644	213,644	-
TOTAL REVENUES	<u>2,766,569</u>	<u>2,773,131</u>	<u>2,779,509</u>	<u>2,572,281</u>	<u>207,228</u>
EXPENDITURES					
Instruction	1,344,153	1,426,241	1,235,156	1,235,156	-
Staff development	46,150	50,050	41,723	41,723	-
School administration	356,799	375,186	338,817	338,817	-
Operation and maintenance of plant	244,917	243,669	131,464	131,464	-
Capital asset acquisition and other capital outlay	447,240	447,240	207,228	-	207,228
Other programs and services	284,590	192,735	501,210	501,210	-
TOTAL EXPENDITURES	<u>2,723,849</u>	<u>2,735,121</u>	<u>2,455,598</u>	<u>2,248,370</u>	<u>207,228</u>
NET CHANGE IN FUND BLANCE	<u>\$ 42,720</u>	<u>\$ 38,010</u>	<u>\$ 323,911</u>	<u>\$ 323,911</u>	<u>\$ -</u>

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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Palmetto Charter School, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Palmetto Charter School, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2017.

Internal Control over Financial Reporting

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

Certified Public Accountants

Bradenton, Florida
September 26, 2017

LA MANNA HERNANDEZ P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' 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 basic 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, 2017, and have issued our report thereon dated September 26, 2017.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Audit Standards*. Disclosures in that report, which is dated September 26, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title

Section 10.854(1)(e)5., *Rules of the Auditor General*, requires the name or official title of the school. The name of the school is Palmetto Charter School, Inc.

Financial Conditions

Section 10.854(1)(e)2., *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the 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 Palmetto Charter School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), *Rules of the Auditor General*, we applied financial condition assessment procedures for 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.

Transparency

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

Other Matters

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

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, member 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, District School Board of Manatee County, Florida, and is not intended to be and should not be used by anyone other than these specified parties.

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

A handwritten signature in cursive script that reads "La Manna Hernandez PA". The signature is written in black ink and is positioned above the printed name.

La Manna Hernandez, PA

Certified Public Accountants

Bradenton, Florida

September 26, 2017