

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

FINANCIAL STATEMENTS

JUNE 30, 2026

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
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FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of 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, 2026, 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.

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, 2026, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 11, 2026 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.

CS&L CPAs
CS&L CPAs, P.A.

September 11, 2026
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, 2026**

The Management Discussion and Analysis (MD&A) section of the annual financial statements of Palmetto Charter School, Inc., a component unit of the School District of Manatee County, Florida, (the "Charter School") provides an overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2026.

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.

Questions concerning any of the information provided in this report or request for additional financial information should be addressed to Palmetto Charter School 1601 17th St. W, Palmetto, FL 34221.

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 statement of net position presents information on all of the Charter School's assets plus deferred outflows less liabilities and deferred inflows, with the difference between them 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 Charter School is improving or deteriorating.

The statement of activities presents information showing how the Charter School's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement from some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Charter School that are principally supported by revenues, grants, and contributions not restricted to specific programs from other functions that are intended to recover a significant portion of their costs through user fees. The governmental activities of the Charter School include various functions including instruction, school administration, among others.

Fund 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 individual generic fund type in the Charter School's financial statements is a governmental fund. 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 Charter School has three governmental funds: a General Fund, a Capital Projects Fund and a Debt Service Fund. The Charter School has elected to report all three funds as major funds.

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 information in the notes is as important to understanding the Charter School's finances as the information in the financial statements. The Charter School uses notes to (1) present information in greater detail than is possible within the financial statements themselves, (2) explain the nature of amounts reported in the financial statements and how those amounts were determined, and (3) report certain information that does not meet the requirements for inclusion in the financial statements (such as certain contingencies). The notes to the basic financial statements can be found commencing on page 15 of this report.

Financial Summary

Comparative condensed statements of net position and condensed statements of activities are shown below:

Condensed Statement of Net Position

	Governmental Activities		
	2026	2025	Change
Current and other assets	\$ 2,505,480	\$ 2,391,845	\$ 113,635
Capital assets	9,178,121	8,857,437	320,684
Total assets	11,683,601	11,249,282	434,319
Deferred outflows	783,680	978,576	(194,896)
Current liabilities	209,613	296,519	(86,906)
Noncurrent liabilities	8,431,569	9,091,564	(659,995)
Total liabilities	8,641,182	9,388,083	(746,901)
Deferred inflows	426,062	216,830	209,232
Net Position:			
Net investment in capital assets	2,787,723	2,278,075	509,648
Unrestricted	612,314	344,870	267,444
Total net position	\$ 3,400,037	\$ 2,622,945	\$ 777,092

Total assets consist mainly of cash, investments, and capital assets used to provided services to students. The majority of the liabilities include accounts payable, accrued expenses and long term liabilities as described in Note 4.

The statement of activities presents information showing how the Charter School's net position increased or decreased during the current year:

Condensed Statement of Activities

	Governmental Activities		
	2026	2025	Change
Revenues			
Program revenues:			
Charges for services	\$ 341,963	\$ 203,852	\$ 138,111
Capital grants and contributions	700,655	523,817	176,838
Total program revenues	1,042,618	727,669	314,949
General revenues:			
Grants and contributions not restricted to specific programs	5,079,472	4,706,161	373,311
Investment income (loss)	79,209	78,528	681
Total general revenues	5,158,681	4,784,689	373,992
Total revenues	6,201,299	5,512,358	688,941
Expenses			
Instruction	3,306,507	3,258,427	48,080
Staff development	129,621	119,863	9,758
School administration	856,063	914,965	(58,902)
Operation and maintenance of plant	377,729	338,459	39,270
Community services	507,378	300,050	207,328
Interest expense	246,909	253,966	(7,057)
Total expenses	5,424,207	5,185,730	238,477
Change in Net Position	777,092	326,628	450,464
Net Position – Beginning	2,622,945	2,296,317	326,628
Net Position – Ending	\$ 3,400,037	\$ 2,622,945	\$ 777,092

Detailed Analyses

Governmental Activities

The condensed statements of net position table shows an increase in total assets of \$434,319 or 3.9% due to an increase in current and other assets of \$113,635 or 4.8% and an increase in capital assets of \$320,684 or 3.6%. Current and other assets increased due to an increase in prepaids and accounts receivable. Capital assets increased due to additions related to the completion of construction of Building 4 on the Palmetto Charter School campus.

Current liabilities decreased \$86,906 or 29.3% which was due to a decrease in accounts payable and accrued expenditures. This was due to payment of the June 2026 FRS liability prior to year end, which reduced the outstanding current liabilities as of June 30, 2026. Noncurrent liabilities decreased \$659,995 or 7.3%, due to a decrease in the Charter School's recognition of its proportionate share in the Florida Retirement System pension plans, reduction of the lease liability, as well as principal payments made on long – term debt. As of June 30, 2026, the Charter School had net position of \$3,400,037, which is the difference between total assets and deferred outflows of resources less total liabilities and deferred inflows of resources. The entire net position was unrestricted which increased \$777,092 over the prior year.

The condensed statement of activities table shows both revenues and expenses increased over the previous year. An increase of \$373,992 or 7.9% for grants and contributions not restricted to specific programs was due to an increase in local capital improvement taxes of \$197,524 and other increases due to increased student count. Capital grants and contributions increased \$176,838 or 33.8% due to an increase in amounts received in capital outlay funds from Manatee County. Charges for services increased \$138,111 or 67.8% due to additional food service revenues recognized during the year.

Total expenses increased \$238,477 or 4.6% largely due to increases in other programs and services of \$207,328 or 69.1% and instruction of \$48,080 or 1.5%. These increases were due to increases in food service costs, and salaries and related personnel costs, respectively, and were offset by a decrease of \$58,902 or 6.4% to school administration as personnel were shifted into other expenditure categories where time was spent during 2026.

Governmental Funds

The General Fund is the general operating fund of the Charter School. The fund balance of the General Fund totaled \$2,295,867 as of June 30, 2026, which increased by \$200,541 during the year. Unassigned fund balance was \$2,107,665 as of June 30, 2026 which is available for future spending. The General Fund saw an increase in revenues and expenditures during the current year. Revenues increased \$423,672 or 8.3% due to an increase in local capital improvement taxes of \$176,838 or 33.8% and other increases due to student count. Expenditures increased \$378,660 or 8.4% due to an increase in instruction and school administration related to increased salaries and related personnel costs, as well as an increase in community services related to increased costs from the new cafeteria program.

The Capital Projects Fund is used to account for all capital activity. The Capital Projects Fund had revenues of \$700,655 and expenditure of \$652,198 during the year ended June 30, 2026, both of which increased over the prior year which had \$523,817 of revenues and \$432,250 of expenditures. The increase in revenue and expenditures is due to increases in capital outlay funding received from Manatee County which was used for Building 4 construction and improvements. There was no fund balance in the Capital Projects Fund as of June 30, 2026.

The Debt Service Fund is used to account for all proceeds and payments, including interest, related to long-term debt. Debt service for the current year totaled \$435,873 which included payments of principal and interest expense. The total debt service for the prior year was also \$435,873.

Significant Capital Assets and Long-Term Financing Activity

Capital Assets

The Charter School has both depreciable capital assets and land. Depreciable capital assets include buildings, computers and software, leasehold improvements, library and textbooks, vehicles and furniture, fixtures and equipment, noting that the carrying value increased \$320,684 or 3.6% due to the current year additions of \$652,198 related to buildings, computers and software, and furniture, fixtures and equipment, offset by depreciation of \$331,514. See Note 3 to the financial statements for additional detail of the capital asset activity for the year.

Long-Term Financing

The Charter School entered into a note payable with a financial institution to refinance a mortgage payable and finance the construction of a new building on campus. The maximum amount allowed under the note agreement totals \$7,025,000 with fixed interest of 3.75% per annum and matures in November 2031. The note is secured by substantially all of the Charter School's assets. The amount outstanding as of June 30, 2026 was \$6,390,398. See Note 4 to the financial statements for additional detail for the note payable.

Currently Known Facts, Decisions, or Conditions

The Charter School serves grades K–8th for the 2025 – 2026 school year.

The Board of Directors monitors the Charter School's financial performance related to budget periodically throughout the year. The Board of Directors makes formal budget amendments to approve changes as they monitor the bottom line for overall financial effect on the Charter School. The Board of Directors has approved an operating budget for the 2026 – 2027 academic year. The original budget is based on 502 students with revenues budgeted for \$6,562,301 and expenditures budgeted for \$7,040,503. The budget demonstrates that the Charter School will have a budgeted decrease in total fund balance of \$478,202.

PALMETTO CHARTER SCHOOL, INC.
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
STATEMENT OF NET POSITION
JUNE 30, 2026

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 2,136,767
Investments	143,547
Accounts receivable	36,964
Prepaid expenses	187,012
Deposits	1,190
Total current assets	<u>2,505,480</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>9,178,121</u>
TOTAL ASSETS	<u>11,683,601</u>
DEFERRED OUTFLOWS OF RESOURCES – Pension	<u>783,680</u>
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	<u>209,613</u>
Total current liabilities	<u>209,613</u>
Noncurrent liabilities	
Due within one year	202,096
Due in more than one year	<u>8,229,473</u>
Total noncurrent liabilities	<u>8,431,569</u>
TOTAL LIABILITIES	<u>8,641,182</u>
DEFERRED INFLOWS OF RESOURCES – Pension	<u>426,062</u>
Net position	
Net investment in capital assets	2,787,723
Unrestricted	<u>612,314</u>
TOTAL NET POSITION	<u><u>\$ 3,400,037</u></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 ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

		Program Revenues			Net (Expense)
			Operating	Capital	Revenue and
	Expenses	Charges for	Grants and	Grants and	Change In
		Services	Contributions	Contributions	Net Position
					Total
Governmental Activities:					
Instruction	\$ 3,306,507	\$ -	\$ -	\$ -	\$ (3,306,507)
Staff development	129,621	-	-	-	(129,621)
School administration	856,063	-	-	-	(856,063)
Operation and maintenance of plant	377,729	-	-	700,655	322,926
Community services	507,378	341,963	-	-	(165,415)
Interest expense	246,909	-	-	-	(246,909)
Total Governmental Activities	<u>5,424,207</u>	<u>341,963</u>	<u>-</u>	<u>700,655</u>	<u>(4,381,589)</u>
General Revenues:					
Grants and contributions not restricted to specific programs					5,079,472
Investment income (loss)					<u>79,209</u>
Total General Revenue					<u>5,158,681</u>
Change in net position					777,092
Net Position – Beginning of year					<u>2,622,945</u>
Net Position – End of year					<u><u>\$ 3,400,037</u></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, 2026

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,136,767	\$ –	\$ –	\$ 2,136,767
Investments	143,547	–	–	143,547
Accounts receivable	36,964	–	–	36,964
Prepaid items	187,012	–	–	187,012
Deposits	1,190	–	–	1,190
TOTAL ASSETS	\$ 2,505,480	\$ –	\$ –	\$ 2,505,480
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued expenses	\$ 209,613	\$ –	\$ –	\$ 209,613
TOTAL LIABILITIES	209,613	–	–	209,613
Fund Balances:				
Non-spendable:				
Prepaid items	187,012	–	–	187,012
Deposits	1,190	–	–	1,190
Unassigned	2,107,665	–	–	2,107,665
TOTAL FUND BALANCES	2,295,867	–	–	2,295,867
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,505,480	\$ –	\$ –	\$ 2,505,480

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, 2026

Fund Balance – Governmental Funds	\$	2,295,867
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		9,178,121
Deferred outflows of resources related to pension are not recognized in the governmental funds; however, they are reported in the statement of net position		783,680
Deferred inflows of resources related to pension are not recognized in the governmental funds; however, they are reported in the statement of net position		(426,062)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds		
Compensated absences	(105,674)	
Net pension liability	(1,935,497)	
Note payable	(6,390,398)	
		(8,431,569)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>3,400,037</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, 2026

	General Fund	Capital Projects Fund	Debt Service Fund	Total Governmental Funds
REVENUES				
Federal, state and local sources	\$ 5,070,885	\$ 700,655	\$ -	\$ 5,771,540
Contributions and fundraising	8,587	-	-	8,587
Investment income (loss)	79,209	-	-	79,209
Charges for services	341,963	-	-	341,963
Total Revenues	5,500,644	700,655	-	6,201,299
EXPENDITURES				
Current:				
Instruction	3,204,076	-	-	3,204,076
Staff development	112,972	-	-	112,972
School administration	760,268	-	-	760,268
Operation and maintenance of plant	327,993	-	-	327,993
Community services	507,378	-	-	507,378
Capital outlay	-	652,198	-	652,198
Debt service:				
Interest and fiscal charges	-	-	246,909	246,909
Principal payments	-	-	188,964	188,964
Total Expenditures	4,912,687	652,198	435,873	6,000,758
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	587,957	48,457	(435,873)	200,541
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(387,416)	(48,457)	435,873	-
Total Other Financing Sources (Uses)	(387,416)	(48,457)	435,873	-
NET CHANGE IN FUND BALANCES	200,541	-	-	200,541
FUND BALANCE – Beginning of year	2,095,326	-	-	2,095,326
FUND BALANCE – End of year	<u>\$ 2,295,867</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,295,867</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, 2026

Net change in fund balance – statement of revenues, expenditures and changes in fund balance – Governmental Funds	\$	200,541
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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
additions exceeded depreciation expense in the current period.

Capital additions	652,198	
Less current depreciation	(331,514)	
		320,684

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	188,964
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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	(194,896)	
(Increase) decrease in deferred inflows	(209,232)	
(Increase) decrease in compensated absences	2,267	
(Increase) decrease in net pension liability	468,764	
		66,903

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>777,092</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 the first extension period effective July 1, 2015 through June 30, 2025. An additional extension has been approved by the School Board extending the charter from July 1, 2025 through June 30, 2040. 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 activities of the Charter School. The government-wide financial statements present governmental activities only. The Charter School has no business-type or fiduciary activities. Separate financial statements are provided for governmental funds.

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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 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, related to 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.

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.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

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, 2026, the carrying amount of the Charter School's deposits was \$2,136,467 and the bank balances were \$2,407,925. At June 30, 2026, the Charter School's cash balances in excess of FDIC limits was approximately \$2,155,000.

Capital Assets

Capital assets, which include land, building, leasehold improvements, vehicles 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 39 years.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position/balance sheet may include 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.

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

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows of Resources – Continued

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:

- *Non-spendable:* Fund balances are reported as non-spendable 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 non-spendable.
- *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. The Charter School did not have any restricted fund balances at June 30, 2026.
- *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, 2026.
- *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 non-spendable, restricted, or committed. The Charter School did not have any assigned fund balances at June 30, 2026.
- *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, 2026.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity- Continued

When restricted, committed, assigned and unassigned amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy first use restricted, then committed, then assigned and unassigned.

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.

When both restricted and unrestricted amounts of net position are available for use for expenses incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed.

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 Charter School would recognize any revenues from these sources when received in the Capital Projects Fund.

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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 Charter 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.

Transfers

The General Fund transfers resources to the Capital Projects Fund and Debt Service Fund to cover the costs of capital asset purchases and construction and debt service, respectively. During the year ended June 30, 2026, the General Fund transferred \$435,873 to the Debt Service Fund. Additionally, the Capital Projects Fund transferred \$48,457 to the General Fund.

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.

Adoption of a New Accounting Standard

Effective July 1, 2025, the Charter School adopted new accounting guidance by implementing the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements* (GASB No. 103) and GASB Statement No. 104, *Disclosure of Certain Capital Assets* (GASB No. 104). The adoption of GASB No. 103 required updates to the Management's Discussion and Analysis to include specific topics and also detailed analyses explaining why balances and results of operations changed. It also required an explanation of significant variances between budget and actual amounts to be presented in the notes to the required supplementary information. The adoption of GASB No. 103 had no effect on net position or fund balance as initially reported. The adoption of GASB No. 104 had no impact on the Charter School's financial statements.

NOTE 2 – INVESTMENTS

The Charter School has investments of \$143,547 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 the following investments, which are unrated:

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NOTE 2 – INVESTMENTS – CONTINUED

	Balance at June 30, 2026
Investments:	
US Equity – Large Cap	\$ 18,132
US Equity – Mid Cap	5,108
International Developed Markets	12,087
International Emerging Markets	5,731
Real Estate Securities	4,818
Commodities	2,222
Fixed Income	95,449
Total investments	<u>\$ 143,547</u>

See Note 9 for additional information regarding fair value.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for governmental activities for the fiscal year ended June 30, 2026, was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 400,000	\$ -	\$ -	\$ -	\$ 400,000
Construction in progress	647,374	597,950	-	(1,245,324)	-
Total capital assets, not being depreciated	<u>1,047,374</u>	<u>597,950</u>	<u>-</u>	<u>(1,245,324)</u>	<u>400,000</u>
Capital assets being depreciated:					
Building	8,866,625	-	-	1,245,324	10,111,949
Computers and software	405,922	35,229	-	-	441,151
Furniture, fixtures and equipment	357,517	19,019	-	-	376,536
Leasehold improvements	73,493	-	-	-	73,493
Library and textbooks	21,476	-	-	-	21,476
Vehicles	121,246	-	-	-	121,246
Total capital assets being depreciated	<u>9,846,279</u>	<u>54,248</u>	<u>-</u>	<u>1,245,324</u>	<u>11,145,851</u>
Less accumulated depreciation:					
Building	1,414,461	227,466	-	-	1,641,927
Computers and software	284,810	57,877	-	-	342,687
Furniture, fixtures and equipment	144,735	34,252	-	-	178,987
Leasehold improvements	53,762	7,851	-	-	61,613
Library and textbooks	21,476	-	-	-	21,476
Vehicles	116,972	4,068	-	-	121,040
Total accumulated depreciation	<u>2,036,216</u>	<u>331,514</u>	<u>-</u>	<u>-</u>	<u>2,367,730</u>
Total capital assets, being depreciated, net	<u>7,810,063</u>	<u>(277,266)</u>	<u>-</u>	<u>1,245,324</u>	<u>8,778,121</u>
Capital assets, net	<u>\$ 8,857,437</u>	<u>\$ 320,684</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,178,121</u>

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NOTE 3 – CAPITAL ASSETS – CONTINUED

Depreciation expense in the amount of \$331,514 for the year ended June 30, 2026, was allocated to the following governmental functions:

Instruction	\$ 241,993
School administration	39,785
Operation and maintenance of plant	49,736
	<u>\$ 331,514</u>

NOTE 4 – LONG-TERM LIABILITIES

During the 2021–22 fiscal year, the Charter School entered into a note payable to Ameris Bank to refinance a mortgage payable and finance construction of a new building on campus. The maximum amount allowed under the note agreement totals \$7,025,000. The note allowed for fifteen consecutive monthly interest-only payments followed by one-hundred and five principal and interest payments. Interest is fixed at 3.75% per annum and matures on November 30, 2031. The mortgage is secured by substantially all of the Charter School's assets.

Principal and interest payments are liquidated in the Debt Service Fund. As of June 30, 2026, the Charter School had \$6,390,398 outstanding on the note. Annual maturities of principal and interest payments on the mortgage are as follows:

Year Ending June 30,	Principal	Interest	Total
2027	\$ 200,096	\$ 235,778	\$ 435,874
2028	207,730	228,144	435,874
2029	215,655	220,219	435,874
2030	223,882	211,991	435,873
2031	232,424	203,450	435,874
2032	5,310,611	82,173	5,392,784
	<u>\$ 6,390,398</u>	<u>\$ 1,181,755</u>	<u>\$ 7,572,153</u>

In the event of default, the whole of the unpaid principal sum and all interest accrued shall become immediately due and payable without further noticed and the lien given to secure the payment may be foreclosed.

The Charter School has an annual leave policy providing eligible employees six days of annual leave each fiscal year. Unused leave will be carried forward into the next year and is not paid out upon separation.

The net pension liability is discussed in Note 7. Pension liabilities are liquidated in the General Fund.

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NOTE 4 – LONG-TERM LIABILITIES – CONTINUED

Long-term liability activity for the year ended June 30, 2026 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct borrowings:					
Note payable	\$ 6,579,362	\$ –	\$ (188,964)	\$ 6,390,398	\$ 200,096
Compensated absences	107,941	–	(2,267) *	105,674	2,000
Net pension liability	<u>2,404,261</u>	<u>795,666</u>	<u>(1,264,430)</u>	<u>1,935,497</u>	<u>–</u>
	<u>\$ 9,091,564</u>	<u>\$ 795,666</u>	<u>\$ (1,455,661)</u>	<u>\$ 8,431,569</u>	<u>\$ 202,096</u>

* The change in compensated absences is presented as a net change.

NOTE 5 – ECONOMIC DEPENDENCE

For the year ended June 30, 2026, revenues from program services from the School Board represented eighty-eight (87%) 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 annual comprehensive financial report that can be obtained at:

<https://www.myfloridacfo.com/transparency/state-financial-reports/FL-ACFR>

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

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

- 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.

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 \$7.50. The minimum payment is \$45 and the maximum payment is \$225 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, 2026 was 14.03% for regular employees and 22.02% for employees in the DROP program of annual payroll, actuarially determined as an amount that, when combined

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

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 \$230,318 or 13.91% of covered payroll.

The HIS Program is funded by required contributions of 2.00% and is included in the contribution rates noted above.

As of June 30, 2026, there were no employer or employee contributions due to the FRS Plan from the Charter School.

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

At June 30, 2026, the Charter School reported a liability of \$1,935,497 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, 2025, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2025 for FRS and July 1, 2024 for HIS. 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, 2025, the Charter School's proportion was 0.003730304% for FRS and 0.006068228% for HIS which was consistent with its proportion measured in the previous year.

Pertaining to the June 30, 2025 measurement, the Charter School recognized pension expense of \$223,404. 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	\$ 123,655	\$ –	\$ 4,643	\$ 1,234
Changes in assumptions	134,440	–	6,884	188,128
Net difference between projected and actual earnings on pension plan investments	–	193,291	–	647
Change in proportion and differences between contributions and proportionate share of contributions	114,243	38,267	111,774	4,495
Charter School contributions subsequent to the June 30, 2025 measurement date	230,385	–	57,656	–
	<u>\$ 602,723</u>	<u>\$ 231,558</u>	<u>\$ 180,957</u>	<u>\$ 194,504</u>

Total deferred outflows were \$783,680 and total deferred inflows were \$426,062. \$230,385 (FRS) and \$57,656 (HIS) were reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date which were recognized as a reduction of the net pension liability in the year ended June 30, 2026.

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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:

<u>Year ending June 30:</u>	<u>FRS</u>	<u>HIS</u>
2026	\$ 32,421	\$ (12,294)
2027	32,421	(12,294)
2028	32,421	(12,294)
2029	32,421	(12,294)
2030	11,096	(12,294)
Thereafter	–	(9,733)
	<u>\$ 140,780</u>	<u>\$ (71,203)</u>

Actuarial Assumptions

The total pension liability in the July 1, 2025 actuarial valuation for FRS and July 1, 2024 for HIS was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 percent
Salary increases	3.50 percent, including inflation
Investment rate of return	6.70 percent, including inflation at 2.40%

Mortality assumptions for the FRS pension plan were based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021.

The actuarial assumptions used in the July 1, 2025 valuation for FRS were based on the results of an actuarial experience study performed for the period July 1, 2018 – June 30, 2023. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but the actuarial assumptions 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 long-term average annual inflation assumption of 2.40 percent as adopted in October 2025 by the FRS Actuarial Assumption Conference; and 2) an inferred real (in excess of inflation) return of 4.20%. The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1.0%	3.2%
Fixed income	29.0%	5.5%
Global equity	45.0%	8.5%
Real estate	12.0%	8.4%
Private equity	11.0%	12.4%
Strategic investments	2.0%	6.5%

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

Discount Rate

The discount rate used to measure the total FRS pension liability was 6.70%. The HIS rate increased from 3.93% to 5.20% 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 2025 valuation for HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

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 6.70%, 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 (5.70%) or 1-percentage-point higher (7.70%) than the current rate:

	<u>1% Decrease (5.70%)</u>	<u>Discount Rate (6.70%)</u>	<u>1% Increase (7.70%)</u>
Charter School's proportionate share of the FRS net pension liability	\$ 2,271,978	\$ 1,157,705	\$ 223,514

The following presents the Charter School's proportionate share of the HIS net pension liability calculated using the discount rate of 5.20%, 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 (4.20%) or 1-percentage-point higher (6.20%) than the current rate:

**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

	<u>1% Decrease (4.20%)</u>	<u>Discount Rate (5.20%)</u>	<u>1% Increase (6.20%)</u>
Charter School's proportionate share of the HIS net pension liability	\$ 877,085	\$ 777,792	\$ 694,516

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 annual comprehensive financial report.

Aggregate Information for Retirement Plans

	<u>Deferred Outflows</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows</u>
FRS	\$ 602,723	\$ 1,157,705	\$ 231,558
HIS	180,957	777,792	194,504
	<u>\$ 783,680</u>	<u>\$ 1,935,497</u>	<u>\$ 426,062</u>

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 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.

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

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, 2026 was 14.03% for regular employees and 22.02% 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 28 participants in the Investment Plan during fiscal 2026 and employer contributions totaled \$172,092. As of June 30, 2026, the Charter School did not have any employee or employer contributions due to the Investment Plan.

NOTE 9 – FAIR VALUE HIERARCHY

The Charter School recognizes its investments as fair value. 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.

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. There are three categories within the hierarchy:

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

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

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 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, 2026 are as follows:

	Balance at June 30, 2026	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments:				
US Equity – Large Cap	\$ 18,132	\$ 18,132	\$ –	\$ –
US Equity – Mid Cap	5,108	5,108	–	–
International Developed Markets	12,087	12,087	–	–
International Emerging Markets	5,731	5,731	–	–
Real Estate Securities	4,818	4,818	–	–
Commodities	2,222	2,222	–	–
Fixed Income	95,449	95,449	–	–
Total investments	<u>\$ 143,547</u>	<u>\$ 143,547</u>	<u>\$ –</u>	<u>\$ –</u>

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Charter School believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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, 2026

GENERAL FUND					
	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE WITH ORIGINAL BUDGET OVER (UNDER) FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET OVER (UNDER) ACTUAL AMOUNTS
REVENUES					
Federal, state and local sources	\$ 5,070,721	\$ 5,079,515	\$ 8,794	\$ 5,070,885	\$ (8,630)
Contributions and fundraising	8,307	8,507	200	8,587	80
Investment income (loss)	62,400	64,087	1,687	79,209	15,122
Other	317,956	350,716	32,760	341,963	(8,753)
Total Revenues	5,459,384	5,502,825	43,441	5,500,644	(2,181)
EXPENDITURES					
Current:					
Instruction	3,461,202	3,338,097	(123,105)	3,204,076	(134,021)
Staff development	103,955	103,955	-	112,972	9,017
School administration	738,659	745,544	6,885	760,268	14,724
Operation and maintenance of plant	320,470	339,935	19,465	327,993	(11,942)
Community services	428,595	461,680	33,085	507,378	45,698
Total Expenditures	5,052,881	4,989,211	(63,670)	4,912,687	(76,524)
NET CHANGE IN FUND BALANCE	406,503	513,614	107,111	587,957	74,343
FUND BALANCE – Beginning of year	2,095,326	2,095,326	-	2,095,326	-
FUND BALANCE – End of year	<u>\$ 2,501,829</u>	<u>\$ 2,608,940</u>	<u>\$ 107,111</u>	<u>\$ 2,683,283</u>	<u>\$ 74,343</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	\$ 587,957	\$ -	\$ 587,957
Other financing sources (uses) – Transfers in (out)	\$ (387,416)	\$ 387,416	\$ -
Total other financing sources (uses)	\$ (387,416)	\$ 387,416	\$ -
Net change in fund balance	<u>\$ 200,541</u>	<u>\$ 387,416</u>	<u>\$ 587,957</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 less than budget in the amount of \$2,181 and expenditures were less than appropriations in the amount of \$76,524.

NOTE 2 – SIGNIFICANT VARIANCES BETWEEN ORIGINAL BUDGET AND FINAL BUDGET

The General Fund budget was revised to adjust for significant changes from original assumptions used to prepare the original budget. During the year, additional unanticipated revenues were received related to field trips and after school sports as more students paid to participate in the activities than were originally expected. This led to an increase in budgeted revenues of \$43,441.

The original budget for expenditures was decreased by \$63,670, largely due to a decrease in expected instruction expenditures. The budget for instruction was decreased \$123,105 as initially conservative estimate on salaries were applied and subsequently revised once the school year commenced.

NOTE 3 – SIGNIFICANT VARIANCES BETWEEN FINAL BUDGET AND ACTUAL AMOUNTS

The General Fund actual revenues overall were slightly less than final budgeted revenues.

The General Fund actual expenditures were less than budget from instruction expenditures of \$134,021, due to salaries and other personnel costs being less than budgeted.

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 Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Charter School's proportion of the net pension liability	0.002353939%	0.002861927%	0.002661866%	0.002700062%	0.002715252%	0.003188800%	0.003227555%	0.003715314%	0.003881995%	0.003730304%
Charter School's proportionate share of the net pension liability	\$ 594,371	\$ 846,539	\$ 801,768	\$ 929,864	\$ 1,176,830	\$ 240,878	\$ 1,200,910	\$ 1,480,435	\$ 1,501,738	\$ 1,157,705
Charter School's covered payroll	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817	\$ 1,277,223	\$ 1,504,521	\$ 1,703,110	\$ 1,597,524	\$ 1,655,489
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	53%	76%	71%	84%	106%	19%	80%	87%	94%	70%
Plan fiduciary net position as a percentage of total pension liability	84.88%	83.89%	84.26%	82.61%	78.85%	96.40%	82.89%	82.38%	83.70%	87.26%

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 Ten Fiscal Years

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Charter School's proportion of the net pension liability	0.004130202%	0.004745034%	0.004321430%	0.004475917%	0.004501724%	0.004817304%	0.004742970%	0.005633580%	0.006016426%	0.006068228%
Charter School's proportionate share of the net pension liability	\$ 481,358	\$ 507,361	\$ 457,385	\$ 511,999	\$ 549,653	\$ 590,915	\$ 502,356	\$ 894,688	\$ 902,523	\$ 777,792
Charter School's covered payroll	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817	\$ 1,277,223	\$ 1,504,521	\$ 1,703,110	\$ 1,597,524	\$ 1,655,489
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	43%	46%	41%	46%	49%	46%	33%	53%	56%	47%
Plan fiduciary net position as a percentage of total pension liability	0.97%	1.64%	2.15%	2.63%	3.00%	3.56%	4.81%	4.12%	4.80%	6.36%

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 Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contribution *	\$ 57,405	\$ 74,503	\$ 75,861	\$ 83,721	\$ 90,216	\$ 121,480	\$ 137,726	\$ 178,731	\$ 219,823	\$ 222,725
Contributions in relation to the contractually required contributions	<u>57,405</u>	<u>74,503</u>	<u>75,861</u>	<u>83,721</u>	<u>90,216</u>	<u>121,480</u>	<u>137,726</u>	<u>178,731</u>	<u>219,823</u>	<u>222,725</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Charter School's covered payroll	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817	\$ 1,277,223	\$ 1,504,521	\$ 1,703,110	\$ 1,597,524	\$ 1,655,489
Contributions as a percentage of covered payroll covered payroll	5.07%	6.73%	6.76%	7.57%	8.11%	9.51%	9.15%	10.49%	13.76%	13.45%

* – 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

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
Last Ten Fiscal Years

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>
Contractually required contribution *	\$ 21,170	\$ 25,112	\$ 23,435	\$ 25,410	\$ 25,941	\$ 28,316	\$ 28,699	\$ 37,059	\$ 50,937	\$ 54,236
Contributions in relation to the contractually required contributions	<u>21,170</u>	<u>25,112</u>	<u>23,435</u>	<u>25,410</u>	<u>25,941</u>	<u>28,316</u>	<u>28,699</u>	<u>37,059</u>	<u>50,937</u>	<u>54,236</u>
Contribution deficiency (excess)	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Charter School's covered payroll	\$ 1,131,651	\$ 1,107,452	\$ 1,122,991	\$ 1,105,411	\$ 1,111,817	\$ 1,277,223	\$ 1,504,521	\$ 1,703,110	\$ 1,597,524	\$ 1,655,489
Contributions as a percentage of covered payroll covered payroll	1.87%	2.27%	2.09%	2.30%	2.33%	2.22%	1.91%	2.18%	3.19%	3.28%

* – 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
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 for the period July 1, 2018 through June 30, 2023. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for 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 FRS was determined by an actuarial valuation as of July 1, 2025 and for HIS as of July 1, 2024. 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 3.50%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 6.70%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 5.20% was used to determine the total pension liability for the program. Mortality assumptions for the FRS plan was based on the PUB-2010 base table, projected generationally with Scale MP-2021, and mortality assumptions for the HIS program were based on the Generational PUB-2010 with Projection Scale MP-2021.

The following changes in actuarial assumptions occurred in 2025 for FRS and HIS:

- All demographic assumptions and methods were reviewed as part of the 2024 Experience Study. Changes were adopted by the 2024 FRS Actuarial Assumption Conference during its meetings in October 2024.
- The assumption changes were updated to reflect recent and anticipated future experience of HIS program participants. Changes were adopted by the 2025 FRS Actuarial Assumption Conference during its October 2025 meeting.
- The discount rate was modified to reflect the change in the value of the municipal bond index between GASB measurement dates. The previous rate was 3.93%.

**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, 2026, 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 11, 2026.

Report on 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 Charter School'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 or significant deficiencies may exist that were not identified.

Report on 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 Charter School'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 Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CS&L CPAs

CS&L CPAs, P.A.

September 11, 2026
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, 2026, and have issued our report thereon dated September 11, 2026.

Auditor's Responsibility

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

Other 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 11, 2026, 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 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, respectively.

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 fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has 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.

CS&L CPAs

CS&L CPAs, P.A.

September 11, 2026
Bradenton, Florida