

**MANATEE SCHOOL OF
ARTS AND SCIENCES, INC.**

**(A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL BOARD OF MANATEE COUNTY)**

FINANCIAL STATEMENTS

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2016**

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities.....	9
Fund Financial Statements:	
Balance Sheet – General Fund.....	10
Reconciliation of the Balance Sheet – General Fund to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balance – General Fund.....	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance–General Fund to the Statement of Activities.....	13
Notes to the Basic Financial Statements.....	14
REQUIRED SUPPLEMENTAL INFORMATION:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual - General Fund	22
Notes to Required Supplemental Information	23
OTHER INDEPENDENT AUDITOR’S REPORTS	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> ...	24
Independent Auditor’s Management Letter	26
Current Year Findings and Recommendations	28



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Manatee School of Arts and Sciences, Inc.
Bradenton, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of Manatee School of Arts and Sciences, Inc. (a Charter School and component unit of the School Board of Manatee County) as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Charter School as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

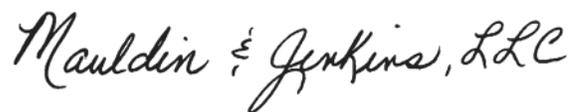
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–6 and 24–26 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2016, 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, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.



Bradenton, Florida
October 4, 2016

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Manatee School of Arts and Sciences, Inc. (the "School"), which is a component unit of the School Board of Manatee County, Florida (the "School Board"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016 to (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the School's financial activities, (c) identify changes in the School's financial position, (d) identify material deviations from the approved budget, and (e) highlight significant issues in individual funds.

Because the information contained in the Management's Discussion and Analysis (MD&A) is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the Basic Financial Statements found starting on page 10.

Financial Highlights

- The assets of the School exceeded its liabilities at the close of the fiscal year by \$1,074,788 (net position).
- As of the close of the current fiscal year, the School's General Fund reported an ending fund balance of \$117,836.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The statement of activities presents information showing how the School's net position changed during the most recent 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and fiscal services are examples of the School's governmental activities.

The government-wide financial statements include all of the assets and liabilities of the School.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The government-wide financial statements can be found on pages 8- 9 of this report.

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 School, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the operations of the School are presented in governmental funds only.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund which is considered to be a major fund.

The School adopts an annual appropriated budget for its operations. Budgetary comparison statements with required notes have been provided to demonstrate compliance with this budget and can be found on pages 22 and 23 of this report.

The basic governmental fund financial statements can be found on pages 10 - 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 14 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, assets exceeded liabilities by \$1,074,788 at the close of the most recent fiscal year.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the School's net position reflects its investment in capital assets (land, buildings, furniture and equipment and computers), less any related debt used to acquire those assets that is still outstanding. The School uses these capital assets to provide services to students; consequently, these assets are not available for future spending.

Comparison of the condensed statement of net position at June 30 and the statement of activities for 2016 and 2015 are provided below:

The School's net position was as follows:

	Governmental Activities		
	2016	2015	Variance
ASSETS			
Current Assets	\$ 178,405	303,010	(124,605)
Capital assets, net of accumulated depreciation	<u>1,388,556</u>	<u>1,409,060</u>	<u>(20,504)</u>
Total assets	1,566,961	1,712,070	(145,109)
LIABILITIES			
Current liabilities	104,436	113,623	(9,187)
Non-current liabilities	<u>387,737</u>	<u>431,251</u>	<u>(43,514)</u>
Total liabilities	492,173	544,874	(52,701)
NET POSITION			
Investment in capital assets, net of related debt	956,952	935,869	21,083
Unrestricted	<u>117,836</u>	<u>231,327</u>	<u>(113,491)</u>
Net position	<u><u>\$ 1,074,788</u></u>	<u><u>1,167,196</u></u>	<u><u>(92,408)</u></u>

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

	Governmental Activities		
	2016	2015	Variance
Revenues:			
Program revenues:			
Federal through local	\$ 3,611	19,500	(15,889)
State through local	999,881	999,615	266
Fundraising and other	24,950	13,381	11,569
Investment income	68	3	65
Other income	3,395	3,728	(333)
Total revenue	<u>1,031,905</u>	<u>1,036,227</u>	<u>(4,322)</u>
Expenses:			
Instruction	610,860	624,732	(13,872)
Pupil personnel services	222	182	40
Board	33,400	17,849	15,551
General administration	13,367	4,500	8,867
School administration	287,920	203,625	84,295
Operation of plant	105,255	94,986	10,269
Maintenance of plant	34,227	31,692	2,535
Fundraising	18,276	7,746	10,530
Interest	20,786	21,980	(1,194)
Total expenses	<u>1,124,313</u>	<u>1,007,292</u>	<u>117,021</u>
Change in net position	(92,408)	28,935	(121,343)
Net position - beginning, as restated	<u>1,167,196</u>	<u>1,138,261</u>	<u>28,935</u>
Net position - ending	<u>\$ 1,074,788</u>	<u>1,167,196</u>	<u>(92,408)</u>

Governmental activities. Governmental activities decreased the School's net position by \$92,408 for the year ended June 30, 2016.

Financial Analysis of the Government's Funds

As noted previously, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a School's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the unassigned fund balance was \$112,796 in the General Fund.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$1,388,556 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and computers. Additional information on the School's capital assets can be found in Note C.

General Fund Budgetary Highlights

Revenues and expenditures approximated budget for the year ended June 30, 2016 as the original budget was not subsequently revised to approximate actual results. Regarding the original budget, enrollment was less than expected which caused an unfavorable variance in revenues. Additionally expenditures exceeded the original appropriations creating a total negative variance in the amount of \$201,372.

Economic Factors and Next Year's Budget

The State of Florida is projecting an increase in Florida Education Finance Program funding for the next fiscal year of approximately 3%. This increase will be offset by a reduction in Public Education Capital Outlay, a funding pool which includes all charges for schools.

Request for Information

This financial report is designed to provide a general overview of Manatee School of Arts and Sciences, Inc.'s finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Manatee School of Arts and Sciences, Inc., 3700 32nd St. W Bradenton, FL 34205.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

STATEMENT OF NET POSITION
JUNE 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 173,365
Due from primary government	5,040
	<hr/>
Total current assets	178,405
	<hr/>
Noncurrent assets	
Capital assets, net of accumulated depreciation	1,388,556
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TOTAL ASSETS	\$ 1,566,961
	<hr/> <hr/>
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	\$ 3,012
Accrued expenses	
Payroll	57,557
Current portion of long-term debt	43,867
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Total current liabilities	104,436
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Noncurrent liabilities	
Long-term debt	387,737
	<hr/>
Total liabilities	492,173
	<hr/>
Net position	
Invested in capital assets, net of related debt	956,952
Unrestricted	117,836
	<hr/>
Total net position	1,074,788
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TOTAL LIABILITIES AND NET POSITION	\$ 1,566,961
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See accompanying notes to financial statements.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Functions/programs			
Governmental activities			
Instruction	\$ 610,860	-	(610,860)
Support services			
Pupil personnel services	222	-	(222)
Board	33,400	-	(33,400)
General administration	13,367	-	(13,367)
School administration	287,920	-	(287,920)
Operation of plant	105,255	-	(105,255)
Maintenance of plant	34,227	-	(34,227)
Fundraising	18,276	24,950	6,674
Interest on long-term debt	20,786	-	(20,786)
Total governmental activities	\$ 1,124,313	24,950	(1,099,363)
General revenues			
Grants and contributions not restricted to specific programs			1,003,492
Unrestricted investment income			68
Other income			3,395
Total general revenues			1,006,955
Change in net position			(92,408)
Net position, July 1, 2015			1,231,157
Adjustment to beginning net position			(63,961)
Net position, July 1, 2015, as restated			1,167,196
Net position, June 30, 2016			\$ 1,074,788

See accompanying notes to financial statements.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

BALANCE SHEET – GENERAL FUND
JUNE 30, 2016

ASSETS	
Cash	\$ 173,365
Due from primary government	<u>5,040</u>
TOTAL ASSETS	<u><u>\$ 178,405</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	\$ 3,012
Accrued expenses	<u>57,557</u>
Total liabilities	60,569
Fund balance	
Restricted	
Capital outlays	5,040
Unassigned	<u>112,796</u>
Total fund balance	<u>117,836</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 178,405</u></u>

See accompanying notes to financial statements.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

**RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total fund balance per the Balance Sheet – General Fund	\$ 117,836
Amounts reported in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the General Fund. The cost of the capital assets are \$2,427,890 less accumulated depreciation of \$1,039,334.	1,388,556
Long-term debt, mortgage payables, are not due and payable in the current period and, therefore, not reported in the General Fund.	<u>(431,604)</u>
Net position of governmental activities	<u><u>\$ 1,074,788</u></u>

See accompanying notes to financial statements.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Revenues	
Federal through local	\$ 3,611
State through local	999,881
Local	28,413
Total revenues	<u>1,031,905</u>
Expenditures	
Current	
Instruction	569,805
Pupil personnel services	125
Board	33,400
General administration	12,884
School administration	284,061
Operation of plant	104,627
Maintenance of plant	32,055
Fundraising expense	18,276
Capital outlay	27,790
Debt service	
Principal	41,587
Interest and fiscal charges	20,786
Total expenditures	<u>1,145,396</u>
Net change in fund balance	(113,491)
Fund balance, July 1, 2015	295,288
Adjustment to beginning net position	<u>(63,961)</u>
Fund balance, July 1, 2015, as restated	<u>231,327</u>
Fund balance, June 30, 2016	<u><u>\$ 117,836</u></u>

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

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Manatee School of Arts and Sciences, Inc. (the “Charter School”) is a not-for-profit corporation that operates an elementary school in Bradenton, Florida. The Corporation was organized pursuant to Chapter 617, Florida Statutes, Florida Not-For-Profit Corporation Act. The governing body of the Charter School is a not-for-profit corporation Board of Directors composed of four members.

The general operating authority of the Charter School is contained in Section 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring school board, the School Board of Manatee County. The current charter is effective until June 30, 2017, and may be renewed by mutual agreement between the Charter School and the School Board. The Manatee School of Arts and Sciences, Inc. is considered a component unit of the School Board of Manatee County.

Criteria for determining if other entities are potential component units which should be reported within the Charter School's basic financial statements are described in GASB Statement No. 14, as amended by GASB Statement No. 39 and No. 61. The application of these criteria provide for identification of any entities for which the Charter School is financially accountable and other organizations for which the nature and significance of their relationship with the Charter School are such that exclusion would cause the Charter School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are required to be included within the reporting entity of the Charter School.

Basis of Presentation: The basic 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.

Basic Financial Statements–Government-Wide Statements: The Charter School's basic financial statements include both government-wide (reporting on the Charter School as a whole) and fund financial statements (reporting on the General Fund only). Both the government-wide and fund financial statements present only governmental activities. The Charter School has no business-type activities.

In the government-wide Statement of Net Position, the Charter School's governmental activities are reported on a full accrual, economic resources basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Charter School's net position is reported in three parts (as applicable), invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The government-wide Statement of Activities reports both the gross and net cost of each of the Charter School's functions. The functions are also supported by general government revenues (funding from the sponsoring school board). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues. Program revenues must be directly associated with the function and include operating-specific and discretionary grants.

The net costs, by function, are normally covered by general revenues from the sponsoring school district.

The government-wide focus is more on the sustainability of the Charter School as an entity and the change in the Charter School's net position resulting from the current year's activities.

Basic Financial Statements–Fund Financial Statements:

The individual generic fund type in the Charter School's financial statements is a governmental fund. The focus of the governmental funds' 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 only governmental fund and major fund utilized by the Charter School is the General Fund. The General Fund is the general operating fund of the Charter School and is used to account for all of its financial resources. This fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures.

Basis of Accounting: Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

Accrual: Governmental activities in the government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual: The fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. When grant terms provide that the expenditure of resources is the prime factor for determining eligibility for Federal, State and other grant resources; revenue is recognized at the time the expenditure is made. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Basis Accounting: Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the function level.

For the year ended June 30, 2016, expenditures exceeded appropriations for various functions. These were covered by positive variances in other functions and available fund balance.

Cash: The Charter School's cash consists of demand deposits with a financial institution which are insured by Federal depository insurance. At June 30, 2016, the carrying amount of the Charter School's deposits was \$173,365 and the bank balance was \$196,818, all of which was covered by FDIC insurance.

Capital Assets: Capital assets are recorded at cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at fair market value at the date of donation. The Charter School maintains a capitalization threshold of \$1,000 for fixed asset additions. Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives are 39 years for buildings and 3 to 15 years for furniture, fixtures and equipment.

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

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Charter School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors through the adoption of a resolution. Only the Board of Directors may modify or rescind the commitment.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- *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. Currently there is no one authorized to assign fund balances.
- *Unassigned:* Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The Charter School reports positive unassigned fund balance only in the General Fund. Negative unassigned fund balances may be reported in other funds when applicable.

Flow Assumptions: When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the Charter School's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the Charter School's policy to use fund balance in the following order:

- Committed
- Assigned
- Unassigned

Net Position: Net position represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the Charter School has spent) for the acquisition, construction or improvement of those assets. Net position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

The Charter School applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Revenue Sources: Revenues for current operations are received primarily from the School Board of Manatee County pursuant to the funding provisions included in the Charter School's charter. In accordance with the funding provisions of the charter and Section 1002.33(17), Florida Statutes, the Charter School reports the number of full-time equivalent (FTE) students and related data to the School Board. Under the provisions of Section 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the Charter School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted FTE students reported by the Charter School during the designated FTE student survey periods.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Charter School also receives Federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to and approved by various granting agencies. For Federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred. Additional revenues are derived from various fundraising activities (which are presented net of related fundraising expenses of \$18,276), contributions and interest earned.

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

NOTE B: DUE FROM PRIMARY GOVERNMENT

Capital outlay funding in the amount of \$5,040 was due from the School Board of Manatee County at June 30, 2016.

NOTE C: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, not being depreciated				
Land	\$ 250,252	-	-	250,252
Total capital assets not being depreciated	<u>250,252</u>	<u>-</u>	<u>-</u>	<u>250,252</u>
Capital assets, being depreciated				
Building	1,878,475	-	-	1,878,475
Furniture, fixtures and equipment	461,596	27,790	190,223	299,163
Total capital assets being depreciated	<u>2,340,071</u>	<u>27,790</u>	<u>190,223</u>	<u>2,177,638</u>
Less accumulated depreciation for				
Building	(735,372)	(48,166)	-	(783,538)
Furniture, fixtures and equipment	(445,891)	(128)	190,223	(255,796)
Total accumulated depreciation	<u>(1,181,263)</u>	<u>(48,294)</u>	<u>190,223</u>	<u>(1,039,334)</u>
Governmental activities capital assets, net	<u>\$ 1,409,060</u>	<u>(20,504)</u>	<u>-</u>	<u>1,388,556</u>

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE C: CAPITAL ASSETS (CONTINUED)

Depreciation expense in the amount of \$48,294 for the year ended June 30, 2016, was allocated to the following governmental functions:

Instruction	\$	41,050
Pupil personnel services		97
General administration		483
School administration		3,864
Operation of plant		628
Maintenance of plant		2,172
		2,172
	\$	48,294

NOTE D: LONG-TERM DEBT

Debt activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Mortgage Payable	\$ 473,191	-	(41,587)	431,604	43,867
	473,191	-	(41,587)	431,604	43,867

The Charter School has a mortgage with Harbor Community Bank in the original amount of \$500,000. The note carries an annual interest rate of 4.50% through October 2019, after which the interest rate will be prevailing United States Treasury 5-year rate plus 300 basis points. Payments of principal and interest are due monthly in the amount of \$5,198. The final maturity date of the note is October 24, 2024. The Charter School recorded interest expense in the amount of \$20,786 for the year ended June 30, 2016.

The principal and interest payments due in the years subsequent to June 30, 2016, are as follows:

	Principal	Interest
2017	\$ 43,867	18,506
2018	45,882	16,491
2019	47,990	14,383
2020	50,195	12,178
2021	52,501	9,872
2022-thereafter	191,169	14,849
	\$ 431,604	86,279

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE E: OPERATING LEASE

In August 2015, the Charter School entered into a 3-year non-cancellable operating lease for computers and equipment. The terms of the lease call for monthly payments of \$928. The future minimum lease payments under this operating lease are as follows for the years ended June 30:

2017	\$	11,130
2018		11,130
2019		928
		<u>23,188</u>

NOTE F: SCHEDULE OF REVENUE SOURCES

The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Manatee County	
Discretionary	\$ 945,809
Capital outlay funding	<u>54,072</u>
Subtotal	999,881
Other grants	3,611
Other miscellaneous income	3,395
Fundraising and field trips	24,950
Investment income	<u>68</u>
Total	<u><u>\$ 1,031,905</u></u>

NOTE G: RISK MANAGEMENT PROGRAMS

Workers' compensation, automobile liability, general liability, errors and omissions, property, inland marine and health and hospitalization coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks did not exceed commercial coverage for the past three fiscal years.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE H: RETIREMENT PLAN

The Charter School maintains a Tax Sheltered Annuity Retirement Plan 403(b) that covers substantially all employees. Employees may elect to make contributions to the plan pursuant to a salary reduction agreement. As of March 1, 2012, the Charter School is no longer making the 3% matching contributions for participating employees who have been employed for at least one year. Participating employees are 100% vested in their respective account balances.

NOTE I: RESTATEMENT

The Charter School has determined that a restatement to the July 1, 2015 beginning net position was required to recognize a \$63,961 payroll accrual that was not previously recorded.

NOTE J: SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events through October 4, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FISCAL YEAR ENDED JUNE 30, 2016**

	Budget		Actual	Variance
	Original	Final		
Revenues				
Federal through local	\$ -	-	3,611	3,611
State through local	1,081,630	1,081,630	999,881	(81,749)
Fundraising and other	12,000	12,000	24,950	12,950
Investment income	-	-	68	68
Other income	-	-	3,395	3,395
Total revenues	<u>1,093,630</u>	<u>1,093,630</u>	<u>1,031,905</u>	<u>(61,725)</u>
Expenditures				
Current				
Instruction	595,195	595,195	569,805	25,390
Pupil personnel services	-	-	125	(125)
Board	15,000	15,000	33,400	(18,400)
General administration	-	-	12,884	(12,884)
School administration	280,722	280,722	284,061	(3,339)
Operation of plant	85,332	85,332	104,627	(19,295)
Maintenance of plant	22,000	22,000	32,055	(10,055)
Fundraising Expense	7,500	7,500	18,276	(10,776)
Capital outlay	-	-	27,790	(27,790)
Debt service				
Principal	-	-	41,587	(41,587)
Interest	-	-	20,786	(20,786)
Total expenditures	<u>1,005,749</u>	<u>1,005,749</u>	<u>1,145,396</u>	<u>(139,647)</u>
Net change in fund balance	87,881	87,881	(113,491)	(201,372)
Fund balance, July 1, 2015, as restated	231,327	231,327	231,327	-
Fund balance, June 30, 2016	<u>\$ 319,208</u>	<u>319,208</u>	<u>117,836</u>	<u>(201,372)</u>

See note to required supplemental information.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.
(A Charter School and Component Unit of the School Board of Manatee County)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE A – BUDGETARY INFORMATION

Annual budgets are adopted for the General Fund and may be amended by the Board of Directors (the “Board”). The budgets presented for the fiscal year ended June 30, 2016, have been amended according to Board procedures. Budgets are adopted on the modified accrual basis of accounting. The legal level of budgetary control is the fund level.



**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
Manatee School of Arts and Sciences, Inc.
Bradenton, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the general fund of Manatee School of the Arts and Sciences, Inc. (the “Charter School”) (a Charter School and component unit of the School Board of Manatee County), as of and for the year ended June 30, 2016, 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 October 4, 2016.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and recommendations, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and recommendations as items 2016-003 through 2016-005 to be material weaknesses.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed two instances of noncompliance (Finding 2016-001 and 2016-002) or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Mauldin & Jenkins, LLC

Bradenton, Florida
October 4, 2016



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Directors
Manatee School of Arts and Sciences, Inc.
Bradenton, Florida

Report on the Financial Statements

We have audited the financial statements of Manatee School of Arts and Sciences, Inc. (a Charter School and component unit of the School Board of Manatee County) as of and for the year ended June 30, 2016, and have issued our report thereon dated October 4, 2016.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in that report, which are dated October 4, 2016, 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 in the prior year audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the school. The official title of the school is Manatee School of Arts and Sciences, Inc..

Financial Condition

Section 10.854(1)(e)2, Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Charter School has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we 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 Manatee School of Arts and Sciences, Inc. 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 the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the Charter School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, as reported in Finding 2016-001, we determined that the Charter School did not maintain on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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

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

Purpose of this Letter

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

Mauldin & Jenkins, LLC

Bradenton, Florida
October 4, 2016

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

2016 – 001 Transparency

Criteria: In accordance with Florida Statute 1002.33(9)(p), each Charter School shall maintain a Web site that enables the public to obtain information regarding the school; the school's academic performance; the names of the governing board members, the programs at the school; any management companies, service providers, or education management corporations associated with the school; the school's annual budget and its annual independent fiscal audit; the school's grade pursuant to s. 1008.34 and, on a quarterly basis, the minutes of governing board meetings.

Condition: During our audit, we noted that the Charter School's Web site did not contain all of the required information as required by Florida Statute 1002.33(9)(p). Although the Charter School's Web site met some of the requirements required by the statute, no information was provided for the Charter School's academic performance; annual budget information; monthly board meeting minutes or information for the previous annual independent fiscal audit.

Cause: The Charter School was not aware of all the required provisions of Florida Statute 1002.33(9)(p).

Effect or Potential Effect: The general public is unable to obtain information about the Charter School's financial performance.

Recommendation: We recommend that the Web site be updated as soon as possible to include the information required by Florida Statute to provide transparency to the general public regarding the finances of the Charter School.

Management's Response: Manatee School of Arts and Sciences agrees with the findings and has made all necessary additions to the website prior to July 26, 2016, at which time members of the Manatee County School Board's District Support staff signed off on the General Monitoring Requirements for Manatee School of Arts and Sciences website. Since that time, the Manatee School of Arts and Sciences website has been monitored and updated as needed on a regular basis.

2016 – 002 Budgeting

Criteria: In accordance with Florida Statute 1002.33(9)(h), the governing body of the Charter School shall adopt and maintain an operating budget. This budget should be a balanced budget whereby there are adequate resources to fund all budgeted appropriations.

Condition: Although the Charter School prepared their budget for the fiscal year, it was not adopted nor amended during the fiscal year for changes in activity.

Cause: The governing body of the Charter School was not aware of all the required provisions of Florida Statute 1002.33(9)(h).

Effect or Potential Effect: Without the proper approval and proper maintenance during the year, unauthorized or inappropriate expenditures could be made in excess of the approved budget.

Recommendation: We recommend that the Charter School's governing board adopt the original operating budget and amend during the year for changes in activity.

Management's Response: Manatee School of Arts and Sciences agrees with the findings and has made all necessary changes to the previous administrations accounting practices. Manatee School of Arts and Sciences Board of Directors approved the operating budget for the 2016-17 school year on May 17, 2016. The Charter School is working within the parameters of this approved budget until the budget is amended at the October 2016 Board of Directors meeting to reflect the increase in student population and corresponding staff increase. The budget will again be reviewed and, if necessary, amended at the February 2017 Board of Directors meeting.

2016 – 003 Journal Entries

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the Charter School in accordance with generally accepted accounting principles (GAAP) and that all of the Charter School's transactions are properly reported in the proper period.

Condition: Significant misstatements were detected in our audit of the Charter School's financial statements for the fiscal year ended June 30, 2016.

Cause: During our audit for the year ended June 30, 2016, several adjustments were required for the fair presentation of the financial statements to correct items purchased that were erroneously recorded as an expense rather than a capital asset, to correct liability balances, and to accrue revenues. Based on our testing, the general ledger activity of the Charter School is not being properly monitored and maintained throughout the year.

Recommendation: We recommend that the Charter School carefully review the financial records and applicable reporting requirements at year-end to ensure that all information and financial data is being properly reported.

Management's Response: Manatee School of Arts and Sciences agrees with the findings and has made numerous changes to the previous administrations accounting practices, which took effect on July 1, 2016. The principal, in conjunction with the contracted accounting services employee (contractor), bank officials, the Board of Manatee School of Arts and Sciences, and the Charter School's attorney, developed, approved, and published formal, written policies and procedures for the School to follow

for all financial matters, including the use of a contracted accounting services employee (contractor) to handle all financial entries, initiations, and reconciliations; the segregation of duties and system access rights; the documentation requirements for cash disbursements, receipts processing, deposits, voids, and bank account reconciliations; multiple signers on all checks; and the approval of multiple people to process all financial transactions. The procedures have been published internally for staff, contracted accounting services employee (contractor), and the board of directors to review and follow. All staff members involved in financial matters and the contracted accounting services employee (contractor) have received a copy, training, and have acknowledged receipt and review via a signed receipt form.

2016 – 004 Segregation of Duties

Criteria: Internal controls should be well designed and set in place to reduce the risk of fraud or misappropriation of funds.

Condition: Misappropriation of funds were detected in our audit of the Charter School's financial statements for the fiscal year ended June 30, 2016.

Cause: During our audit for the year ended June 30, 2016, we noted no formal review of bank reconciliations; payroll reports were not reconciled or reviewed by management and no policy on preparing, posting or reviewing journal entries.

Effect or Potential Effect: Due to the absence of proper segregation of duties and no compensating controls, we noted \$41,000 of misappropriation of School resources. These included payroll bonuses paid without proper approval as well as other disbursements made without proper approval and authorization by the Board.

Recommendation: We recommend that the Charter School design and implement internal control policies to compensate for the lack of segregation of duties and to reduce the risk of misappropriation of School resources.

Management's Response: Manatee School of Arts and Sciences agrees with the findings and has implemented several internal control policies to compensate for the lack of segregation of duties and the poor accounting practices on the part of the previous administration and the President of the Charter School's Board of Directors. These policies include the use of a contracted accounting services employee (contractor) to handle all financial entries, initiations, and reconciliations; the segregation of duties and system access rights; performance evaluations and merit increases; payroll procedures; the documentation requirements for cash disbursements, receipts processing, deposits, voids, and bank account reconciliations; multiple signers on all checks; and the approval of multiple people to process all financial transactions. Additionally, the Board of Manatee School for Arts and Sciences has instituted a written policy that will only allow board members or employees who are cleared by the School Board of Manatee County through the required background check to work at the School. If the School Board of Manatee County does not certify the potential staff member or board member, that person

will not be eligible to hold any paid or volunteer position within MSAS. These policies have been published internally for staff and the board of directors to review and follow. All staff members involved in personnel matters and the board of directors have received a copy, training, and have acknowledged receipt and review via a signed receipt form.

2016-005 Payroll Files

Criteria: Internal controls should be in place to ensure employee files are kept current and a complete file is maintained for each employee with proper documentation and support for the hiring, salary and termination processes.

Condition: Employee files lacked documents related to the hiring process, contracts, pay rates, salary and other payroll. If payroll documents were present, supervisory review nor approval was documented.

Cause: Management did not have proper controls and procedures for the administration of employee payroll files.

Effect or Potential Effect: During the year there was a misappropriation of Charter School resources in the amount of \$41,000. The misappropriation was partially due to the lack of controls in place for pay changes or bonuses. The lack of controls and procedures for the administration of employee payroll files could result in additional misappropriation or potential fraud.

Recommendation: We recommend that the Charter School review each employee file to ensure all required contracts are in place and executed. Employee files should have appropriate documentation to support current salary and pay rates along with hiring and termination processes.

Management's Response: Manatee School of Arts and Sciences agrees with the findings and has implemented several internal control policies to compensate for the lack of consistent record keeping and human resources procedures on the part of the previous administration. These policies include the hiring process; pay rates, salaries, and other payroll changes; performance evaluations and merit increases; payroll procedures; and the documentation requirements for human resources. Manatee School of Arts and Sciences has begun the review of all employee files to ensure all required documents are in place and executed, and that all employee files have the appropriate documentation to support current salary and pay rates along with hiring and termination processes. On the topic of contracts, Manatee School of Arts and Sciences does not utilize employment contracts, the Charter School does not utilize written employment contracts. These policies have been published internally for staff and the board of directors to review and follow. All staff members involved in personnel matters and the board of directors have received a copy, training, and have acknowledged receipt and review via a signed receipt form.

2016-006 Incorrect data entry

Criteria: Internal controls should be in place to ensure checks entered into the accounting system are properly recorded.

Condition: Checks entered into the accounting system were input incorrectly. We also noted a check that was entered into the system twice with different check information.

Cause: Management did not have proper controls and procedures to verify the information entered into the accounting system was proper.

Effect or Potential Effect: Improper data entry could cause amounts being posted to the incorrect general ledger accounts and misstatement of financial statement information.

Recommendation: We recommend that the Charter School implement procedures for a review of information entered into the system to ensure data is input correctly. This should be performed by someone independent of the data entry.

Management's Response: Manatee School of Arts and Sciences agrees with the findings and has made numerous changes to the previous administrations accounting practices, which took effect on July 1, 2016. The principal, in conjunction with the contracted accounting services employee (contractor), bank officials, the Board of Manatee School of Arts and Sciences, and the Charter School's attorney, developed, approved, and published formal, written policies and procedures for the School to follow for all financial matters, including the use of a contracted accounting services employee (contractor) to handle all financial entries, initiations, and reconciliations; the segregation of duties and system access rights; the documentation requirements for cash disbursements, receipts processing, deposits, voids, and bank account reconciliations; multiple signers on all checks; and the approval of multiple people to process all financial transactions. Additionally, both the principal and the registrar review all information entered into the system to ensure data is input correctly before finalizing any transactions. The procedures have been published internally for staff, contracted accounting services employee (contractor), and the board of directors to review and follow. All staff members involved in financial matters and the contracted accounting services employee (contractor) have received a copy, training, and have acknowledged receipt and review via a signed receipt form.

2016 – 007 Restatement of Prior Period Balances

Criteria: Internal controls should be in place to ensure that financial statements properly present the financial position and results of operations of the Charter School in accordance with generally accepted accounting principles (GAAP) and that all of the Charter School's liabilities are properly reported.

Condition: Misstatements were detected in the Charter School's financial statements for the year ended June 30, 2015 due to the omission of the Charter School's accrual for year end payroll expenses.

Context/Cause: During our audit for the year ended June 30, 2016, misstatements were identified that caused the need to restate opening equity for the year ended June 30, 2015 surrounding the Charter School's accrued payroll. We addressed this matter with the Charter School and they were able to determine the appropriate adjustment required to be made to the Charter School's general ledger to properly report the accrued payroll within the Charter School's General Fund.

Effect: An audit adjustment to decrease fund balance and increase accrued liabilities by \$63,691 was required to be recorded as of June 30, 2015.

Recommendation: We recommend that the Charter School carefully review the financial records and applicable reporting requirements at year-end to ensure that all information and financial data is being properly reported

Management's Response: Manatee School of Arts and Sciences was made aware of the error from the previous year's annual audit and agrees with the findings. Manatee School of Arts and Sciences provided the current year's auditors the appropriate information to adjust the Charter School's general ledger to properly report the accrued payroll within the Charter School's General Fund.