

**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, 2017**

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, 2017

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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. (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, 2017, 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, 2017, 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 3–7 and 21–22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2017, 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.

Mauldin & Jenkins, LLC

Bradenton, Florida
September 28, 2017

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 "Charter School"), which is a component unit of the School Board of Manatee County, Florida (the "School Board"), we offer readers of the Charter School's financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2017, to: (a) assist the reader in focusing on significant financial issues, (b) provide an overview and analysis of the Charter School's financial activities, (c) identify changes in the Charter 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 8.

Financial Highlights

- The assets of the Charter School exceeded its liabilities at the close of the fiscal year by \$1,110,787 (net position).
- As of the close of the current fiscal year, the Charter School's General Fund reported an ending fund balance of \$165,323.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Charter School's basic 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. 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 Charter School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Charter 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 Charter School is improving or deteriorating.

The statement of activities presents information showing how the Charter 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 Charter School that are principally supported by district, state, and federal funding (governmental activities). Basic instruction, exceptional instruction, and fiscal services are examples of the Charter School's governmental activities.

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 include all of the assets and liabilities of the Charter School.

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 Charter 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 Charter 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 Charter 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 Charter 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 21 and 22 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 Charter School's financial position. In the case of the Charter School, assets exceeded liabilities by \$1,110,787 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 Charter 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 Charter 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 2017 and 2016, are provided below:

The Charter School's net position was as follows:

	Governmental Activities		
	2017	2016	Variance
ASSETS			
Current Assets	\$ 226,716	178,405	48,311
Capital assets, net of accumulated depreciation	1,333,493	1,388,556	(55,063)
Total assets	1,560,209	1,566,961	(6,752)
LIABILITIES			
Current liabilities	107,275	104,436	2,839
Non-current liabilities	342,147	387,737	(45,590)
Total liabilities	449,422	492,173	(42,751)
NET POSITION			
Investment in capital assets, net of related debt	945,464	956,952	(11,488)
Unrestricted	165,323	117,836	47,487
Net position	\$ 1,110,787	1,074,788	35,999

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		
	2017	2016	Variance
Revenues:			
Program revenues:			
Federal through local	\$ 3,615	3,611	4
State through local	996,065	999,881	(3,816)
Fundraising and other	53,937	24,950	28,987
Investment income	482	68	414
Other income	27,126	3,395	23,731
Total revenue	<u>1,081,225</u>	<u>1,031,905</u>	<u>49,320</u>
Expenses:			
Instruction	689,724	610,860	78,864
Pupil personnel services	8,126	222	7,904
Board	53,350	33,400	19,950
General administration	8,691	13,367	(4,676)
School administration	156,439	287,920	(131,481)
Operation of plant	100,198	105,255	(5,057)
Maintenance of plant	3,548	34,227	(30,679)
Fundraising	6,352	18,276	(11,924)
Interest	18,798	20,786	(1,988)
Total expenses	<u>1,045,226</u>	<u>1,124,313</u>	<u>(79,087)</u>
Change in net position	35,999	(92,408)	128,407
Net position - beginning	<u>1,074,788</u>	<u>1,167,196</u>	<u>(92,408)</u>
Net position - ending	<u>\$ 1,110,787</u>	<u>1,074,788</u>	<u>35,999</u>

Governmental activities. Governmental activities increased the Charter School's net position by \$35,999 for the year ended June 30, 2017.

Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the Charter 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 Charter School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Charter School's net resources available for spending at the end of the fiscal year.

The General Fund is the chief operating fund of the Charter School. At the end of the current fiscal year, the unassigned fund balance was \$165,323 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 Long Term Debt

Capital assets. The Charter School's investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$1,333,493 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and computers. Additional information on the Charter School's capital assets can be found in Note C.

Long Term Debt. During the 2017 Fiscal Year, Manatee School of Arts & Sciences made a total of \$62,373.24 in principal and interest payments on the mortgage for the Charter School. As of September 25, 2017, the principal balance of the mortgage is \$380,577.85. The Charter School continues to pay the mortgage of \$5,197.77 on monthly basis through an automatic bank debit on the last day of each month.

General Fund Budgetary Highlights

Revenues and expenditures approximated budget for the year ended June 30, 2017, 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 revenue exceeded the original appropriations creating a total positive variance in the amount of \$21,290.

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 Charter 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 Street West Bradenton, Florida 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, 2017

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash	\$ 222,450
Due from primary government	4,266
	<hr/>
Total current assets	226,716
	<hr/>
Noncurrent assets	
Capital assets, net of accumulated depreciation	1,333,493
	<hr/>
TOTAL ASSETS	\$ 1,560,209
	<hr/> <hr/>
LIABILITIES AND NET POSITION	
Current liabilities	
Accounts payable	\$ 2,218
Accrued payroll expenses	59,175
Current portion of long-term debt	45,882
	<hr/>
Total current liabilities	107,275
	<hr/>
Noncurrent liabilities	
Long-term debt	342,147
	<hr/>
Total liabilities	449,422
	<hr/>
Net position	
Invested in capital assets, net of related debt	945,464
Unrestricted	165,323
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Total net position	1,110,787
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TOTAL LIABILITIES AND NET POSITION	\$ 1,560,209
	<hr/> <hr/>

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, 2017

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Functions/programs				
Governmental activities				
Instruction	\$ 689,724	-	-	(689,724)
Support services				
Pupil personnel services	8,126	-	-	(8,126)
Board	53,350	-	-	(53,350)
General administration	8,691	-	-	(8,691)
School administration	156,439	-	-	(156,439)
Operation of plant	100,198	-	-	(100,198)
Maintenance of plant	3,548	-	-	(3,548)
Fundraising	6,352	-	53,937	47,585
Interest on long-term debt	18,798	-	-	(18,798)
Total governmental activities	<u>\$ 1,045,226</u>	<u>-</u>	<u>53,937</u>	<u>(991,289)</u>
General revenues				
Grants and contributions not restricted to specific programs				999,680
Unrestricted investment income				482
Other income				<u>27,126</u>
Total general revenues				<u>1,027,288</u>
Change in net position				35,999
Net position, July 1, 2016				<u>1,074,788</u>
Net position, June 30, 2017				<u>\$ 1,110,787</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)

BALANCE SHEET – GENERAL FUND
JUNE 30, 2017

ASSETS		
Cash		\$ 222,450
Due from primary government		<u>4,266</u>
TOTAL ASSETS		<u><u>\$ 226,716</u></u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable		\$ 2,218
Accrued payroll expenses		<u>59,175</u>
Total liabilities		61,393
Fund balance		
Restricted		
Capital outlays		4,266
Unassigned		<u>161,057</u>
Total fund balance		<u>165,323</u>
TOTAL LIABILITIES AND FUND BALANCE		<u><u>\$ 226,716</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, 2017

Total fund balance per the Balance Sheet – General Fund	\$ 165,323
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 \$2,383,390 less accumulated depreciation of \$1,049,897.	1,333,493
Long-term debt, mortgage payables, are not due and payable in the current period and, therefore, not reported in the General Fund.	<u>(388,029)</u>
Net position of governmental activities	<u>\$ 1,110,787</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, 2017**

Revenues	
Federal through local	\$ 3,615
State through local	996,065
Local	81,545
Total revenues	<u>1,081,225</u>
Expenditures	
Current	
Instruction	641,692
Pupil personnel services	8,013
Board	53,350
General administration	8,126
School administration	151,918
Operation of plant	99,464
Maintenance of plant	1,005
Fundraising expense	6,352
Capital outlay	1,445
Debt service	
Principal	43,575
Interest and fiscal charges	18,798
Total expenditures	<u>1,033,738</u>
Net change in fund balance	47,487
Fund balance, July 1, 2016	<u>117,836</u>
Fund balance, June 30, 2017	<u>\$ 165,323</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)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – GENERAL FUND TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED JUNE 30, 2017**

Net change in fund balance (actual) per the Statement of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual of the General Fund	\$ 47,487
Amounts reported in the Statement of Activities are different because:	
The General Fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$56,508) exceeded capital outlay expenditures (\$2,567) in the current period.	(53,941)
Loss on disposal of capital assets	(1,122)
Principal payments on the mortgage are expenditures in the General Fund, but reduce long-term debt in the Statement of Net Assets.	<u>43,575</u>
Change in net assets of governmental activities	<u><u>\$ 35,999</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)

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, 2018, 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.

Cash: The Charter School's cash consists of demand deposits with a financial institution which are insured by federal depository insurance. At June 30, 2017, the carrying amount of the Charter School's deposits was \$222,450 and the bank balance was \$222,450, 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 5 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 \$6,352), 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 \$4,266 was due from the School Board of Manatee County at June 30, 2017.

NOTE C: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
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	299,163	2,567	47,067	254,663
Total capital assets being depreciated	<u>2,177,638</u>	<u>2,567</u>	<u>47,067</u>	<u>2,133,138</u>
Less accumulated depreciation for				
Building	(783,538)	(48,166)	-	(831,704)
Furniture, fixtures and equipment	(255,796)	(8,342)	45,945	(218,193)
Total accumulated depreciation	<u>(1,039,334)</u>	<u>(56,508)</u>	<u>45,945</u>	<u>(1,049,897)</u>
Governmental activities capital assets, net	<u>\$ 1,388,556</u>	<u>(53,941)</u>	<u>(1,122)</u>	<u>1,333,493</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 \$56,508 for the year ended June 30, 2017, was allocated to the following governmental functions:

Instruction	\$	48,032
Pupil personnel services		113
General administration		565
School administration		4,521
Operation of plant		734
Maintenance of plant		2,543
		2,543
	\$	56,508

NOTE D: LONG-TERM DEBT

Debt activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Mortgage Payable	\$ 431,604	-	(43,575)	388,029	45,882

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 \$18,798 for the year ended June 30, 2017.

The principal and interest payments due in the years subsequent to June 30, 2017, are as follows:

	Principal	Interest
2018	\$ 45,882	16,491
2019	47,990	14,383
2020	50,195	12,178
2021	52,501	9,872
2022	54,913	7,461
2023-thereafter	136,548	7,388
	\$ 388,029	67,773

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:

2018	\$	11,130
2019		928
	\$	<u>12,058</u>

NOTE F: SCHEDULE OF REVENUE SOURCES

The following is a schedule of revenue sources and amounts:

<u>Sources</u>	<u>Amounts</u>
School Board of Manatee County	
Discretionary	\$ 943,546
Capital outlay funding	52,519
Subtotal	<u>996,065</u>
Other grants	3,615
Other miscellaneous income	27,126
Fundraising and field trips	53,937
Investment income	<u>482</u>
Total	<u>\$ 1,081,225</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.

NOTE H: SUBSEQUENT EVENTS

The Charter School has evaluated all subsequent events through September 28, 2017, 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, 2017**

	Budget		Actual	Variance
	Original	Final		
Revenues				
Federal through local	\$ -	-	3,615	3,615
State through local	1,081,630	998,030	996,065	(1,965)
Fundraising and other	12,000	30,550	53,937	23,387
Investment income	-	-	482	482
Other income	-	-	27,126	27,126
Total revenues	<u>1,093,630</u>	<u>1,028,580</u>	<u>1,081,225</u>	<u>52,645</u>
Expenditures				
Current				
Instruction	595,195	653,844	641,692	12,152
Pupil personnel services	-	125	8,013	(7,888)
Board	15,000	46,500	53,350	(6,850)
General administration	-	13,328	8,126	5,202
School administration	280,722	156,423	151,918	4,505
Operation of plant	85,332	132,163	99,464	32,699
Maintenance of plant	22,000	-	1,005	(1,005)
Fundraising Expense	7,500	-	6,352	(6,352)
Capital outlay	-	-	1,445	(1,445)
Debt service				
Principal	-	-	43,575	(43,575)
Interest	-	-	18,798	(18,798)
Total expenditures	<u>1,005,749</u>	<u>1,002,383</u>	<u>1,033,738</u>	<u>(31,355)</u>
Net change in fund balance	87,881	26,197	47,487	21,290
Fund balance, July 1, 2016	117,836	117,836	117,836	-
Fund balance, June 30, 2017	<u>\$ 205,717</u>	<u>144,033</u>	<u>165,323</u>	<u>21,290</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, 2017, 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, 2017, 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 28, 2017.

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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations, that we consider to be a material weakness (2017-001, prior year finding 2016-003).

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Charter School's Response to Finding

The Charter School's response to the finding identified in our audit is described in the Schedule of Findings and Recommendations. The Charter School's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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
September 28, 2017



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 fiscal year ended June 30, 2017, and have issued our report thereon dated September 28, 2017.

Auditor's Responsibility

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

Other Reports and Schedules

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 September 28, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1, Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address finding 2016-001 Transparency; 2016-002 Budgeting; 2016-004 Segregation of Duties; 2016-005 Payroll; 2016-006 Incorrect Data Entry and 2016-007 Restatement of Prior Period Balances. However, corrective actions were not taken to address finding 2016-003 Journal Entries and will be included in the current year report as finding 2017-001. This finding was not included in the second preceding fiscal year financial audit report.

Official Title

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the school. The 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 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 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, we determined that the Charter School maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

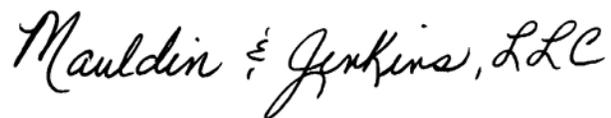
Other Matters

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

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, 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.



Bradenton, Florida
September 28, 2017

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

2017 – 001 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, 2017.

Cause: During our audit for the year ended June 30, 2017, 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.