

**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, 2018**

**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, 2018**

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## INDEPENDENT AUDITOR'S REPORT

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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, 2018, 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, 2018, 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 26, 2018, 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  
September 26, 2018

**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**

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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, 2018, 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 \$1,193,218 (net position).
- As of the close of the current fiscal year, the Charter School's General Fund reported an ending fund balance of \$212,925.

**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.

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**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**

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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 \$1,193,218 at the close of the most recent fiscal year.

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**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 2018 and 2017, are provided below:

The Charter School's net position was as follows:

	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Variance</b>
<b>ASSETS</b>			
Current Assets	\$ 297,250	226,716	70,534
Capital assets, net of accumulated depreciation	1,326,566	1,333,493	(6,927)
Total assets	1,623,816	1,560,209	63,607
<b>LIABILITIES</b>			
Current liabilities	132,136	107,275	24,861
Non-current liabilities	298,462	342,147	(43,685)
Total liabilities	430,598	449,422	(18,824)
<b>NET POSITION</b>			
Investment in capital assets, net of related debt	980,293	945,464	34,829
Unrestricted	212,925	165,323	47,602
Net position	\$ 1,193,218	1,110,787	82,431

**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**

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	<b>Governmental Activities</b>		
	<b>2018</b>	<b>2017</b>	<b>Variance</b>
Revenues			
Program revenues			
Federal through local	\$ 12,264	3,615	8,649
State through local	1,154,409	996,065	158,344
Fundraising and other	3,625	53,937	(50,312)
Investment income	599	482	117
Other income	41,717	27,126	14,591
Total revenue	1,212,614	1,081,225	131,389
Expenses			
Instruction	747,039	689,724	57,315
Pupil personnel services	323	8,126	(7,803)
Board	26,669	53,350	(26,681)
General administration	12,481	8,691	3,790
School administration	201,322	156,439	44,883
Operation of plant	124,151	100,198	23,953
Maintenance of plant	2,778	3,548	(770)
Fundraising	-	6,352	(6,352)
Interest	15,420	18,798	(3,378)
Total expenses	1,130,183	1,045,226	84,957
Change in net position	82,431	35,999	46,432
Net position - beginning	1,110,787	1,074,788	35,999
Net position - ending	\$ 1,193,218	1,110,787	82,431

**Governmental activities.** Governmental activities increased the Charter School's net position by \$82,431 for the year ended June 30, 2018.

**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 \$212,925 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**

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**Capital Asset and Long Term Debt**

**Capital assets.** The Charter School's investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$1,326,566 (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 2018 Fiscal Year, Manatee School of Arts & Sciences made a total of \$57,176 in principal and interest payments on the mortgage for the Charter School. As of June 30, 2018, the principal balance of the mortgage was \$346,273. The Charter School continues to pay the mortgage of \$5,198 on monthly basis through an automatic bank debit on the last day of each month.

**General Fund Budgetary Highlights**

During the year, budget appropriations increased \$32,796 between original and final amended budget for instructional salaries and budgeted revenues increased \$105,900 due to additional funding received from the State. Actual expenditures exceeded the final appropriations creating a total negative variance in the amount of (\$40,802).

**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 1%.

**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, 2018**

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	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 283,739
Due from primary government	13,511
	<hr/>
Total current assets	297,250
	<hr/>
Noncurrent assets	
Capital assets, net of accumulated depreciation	1,326,566
	<hr/>
<b>TOTAL ASSETS</b>	<b>\$ 1,623,816</b>
	<hr/> <hr/>
<b>LIABILITIES AND NET POSITION</b>	
Current liabilities	
Accounts payable	\$ 27,579
Accrued payroll expenses	56,746
Current portion of long-term debt	47,811
	<hr/>
Total current liabilities	132,136
	<hr/>
Noncurrent liabilities	
Long-term debt	298,462
	<hr/>
Total liabilities	430,598
	<hr/>
Net position	
Invested in capital assets, net of related debt	980,293
Unrestricted	212,925
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Total net position	1,193,218
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<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 1,623,816</b>
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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, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Functions/programs				
Governmental activities				
Instruction	\$ 747,039	-	-	(747,039)
Support services				
Pupil personnel services	323	-	-	(323)
Board	26,669	-	-	(26,669)
General administration	12,481	-	-	(12,481)
School administration	201,322	-	-	(201,322)
Operation of plant	124,151	-	-	(124,151)
Maintenance of plant	2,778	-	-	(2,778)
Fundraising	12,796	-	16,421	3,625
Interest on long-term debt	15,420	-	-	(15,420)
Total governmental activities	<u>\$ 1,142,979</u>	<u>-</u>	<u>16,421</u>	<u>(1,126,558)</u>
General revenues				
Grants and contributions not restricted to specific programs				1,166,673
Unrestricted investment income				599
Other income				<u>41,717</u>
Total general revenues				<u>1,208,989</u>
Change in net position				82,431
Net position, July 1, 2017				<u>1,110,787</u>
Net position, June 30, 2018				<u>\$ 1,193,218</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, 2018**

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ASSETS		
Cash		\$ 283,739
Due from primary government		<u>13,511</u>
<b>TOTAL ASSETS</b>		<b><u><u>\$ 297,250</u></u></b>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable		\$ 27,579
Accrued payroll expenses		<u>56,746</u>
Total liabilities		84,325
Fund balance		
Restricted		
Capital outlays		3,125
Unassigned		<u>209,800</u>
Total fund balance		<u>212,925</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>		<b><u><u>\$ 297,250</u></u></b>

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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)**

**RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

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Total fund balance per the Balance Sheet – General Fund	\$ 212,925
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 \$2,367,529 less accumulated depreciation of \$1,040,963.	1,326,566
Long-term debt, mortgage payables, are not due and payable in the current period and, therefore, not reported in the General Fund.	<u>(346,273)</u>
Net position of governmental activities	<u><u>\$ 1,193,218</u></u>

**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, 2018**

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Revenues	
Federal through local	\$ 12,264
State through local	1,154,409
Local	45,941
Total revenues	<u>1,212,614</u>
Expenditures	
Current	
Instruction	737,051
Pupil personnel services	200
Board	26,669
General administration	11,864
School administration	196,384
Operation of plant	123,349
Maintenance of plant	12,319
Debt service	
Principal	41,756
Interest and fiscal charges	15,420
Total expenditures	<u>1,165,012</u>
Net change in fund balance	47,602
Fund balance, July 1, 2017	<u>165,323</u>
Fund balance, June 30, 2018	<u><u>\$ 212,925</u></u>

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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)**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE – GENERAL FUND TO THE STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED JUNE 30, 2018**

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Net change in fund balance (actual) per the Statement of Revenues, Expenditures and Changes in Fund Balance–Budget and Actual of the General Fund	\$ 47,602
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 capital outlay expenditures (\$67,242) exceeded depreciation expense (\$61,721) in the current period.	5,521
Loss on disposal of capital assets	(12,448)
Principal payments on the mortgage are expenditures in the General Fund, but reduce long-term debt in the Statement of Net Assets.	<u>41,756</u>
Change in net assets of governmental activities	<u><u>\$ 82,431</u></u>

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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)**

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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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, 2020, 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**

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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**

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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, 2018, the carrying amount of the Charter School's deposits was \$283,739 and the bank balance was \$285,188, of which \$250,000 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 \$750 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**

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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 \$9,632), 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 \$3,125 was due from the School Board of Manatee County at June 30, 2018.

NOTE C: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 250,252	-	-	250,252
Total capital assets not being depreciated	250,252	-	-	250,252
Capital assets, being depreciated				
Building	1,878,475	-	-	1,878,475
Furniture, fixtures and equipment	254,663	67,242	83,103	238,802
Total capital assets being depreciated	2,133,138	67,242	83,103	2,117,277
Less accumulated depreciation for				
Building	(831,704)	(48,166)	-	(879,870)
Furniture, fixtures and equipment	(218,193)	(13,555)	70,655	(161,093)
Total accumulated depreciation	(1,049,897)	(61,721)	70,655	(1,040,963)
Governmental activities capital assets, net	\$ 1,333,493	5,521	(12,448)	1,326,566

**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 \$61,721 for the year ended June 30, 2018, was allocated to the following governmental functions:

Instruction	\$	52,463
Pupil personnel services		123
General administration		617
School administration		4,938
Operation of plant		802
Maintenance of plant		2,778
		<u>61,721</u>
	\$	<u>61,721</u>

NOTE D: LONG-TERM DEBT

Debt activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Mortgage Payable	\$ 388,029	-	(41,756)	346,273	47,811

The Charter School has a mortgage with CenterState 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 adjust to the prevailing United States Treasury 5-year rate plus 300 basis points with a floor of 4.50%. 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 \$15,420 for the year ended June 30, 2018.

The principal and interest payments due in the years subsequent to June 30, 2018, are as follows:

	Principal	Interest
2019	\$ 47,811	14,383
2020	50,007	12,178
2021	52,305	9,872
2022	54,708	7,461
2023	57,221	4,938
2024	84,221	2,450
	<u>\$ 346,273</u>	<u>51,282</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**

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NOTE E: OPERATING LEASE

The Charter School has entered into various operating leases for computers and equipment. The terms of the leases are for three to five years. Current year rental expense was \$14,112. The future minimum lease payments for the operating leases are as follows for the years ended June 30:

2019	\$	3,952
2020		3,025
2021		3,025
	\$	<u>10,002</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	\$ 1,094,258
Capital outlay funding	60,151
Subtotal	1,154,409
Other grants	12,264
Other miscellaneous income	41,717
Fundraising and field trips	3,625
Investment income	599
Total	\$ 1,212,614

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 26, 2018, 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, 2018**

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Federal through local	\$ -	6,836	12,264	5,428
State through local	969,338	1,072,402	1,154,409	82,007
Fundraising and other	7,200	7,200	26,053	18,853
Investment income	-	-	599	599
Other income	40,000	36,000	41,717	5,717
Total revenues	<u>1,016,538</u>	<u>1,122,438</u>	<u>1,235,042</u>	<u>112,604</u>
<b>Expenditures</b>				
Current				
Instruction	613,521	646,317	737,051	(90,734)
Pupil personnel services	900	900	200	700
Board	30,000	30,000	26,669	3,331
General administration	10,920	10,920	11,864	(944)
School administration	151,917	151,917	196,384	(44,467)
Operation of plant	124,380	124,380	123,349	1,031
Maintenance of plant	3,600	3,600	12,319	(8,719)
Fundraising expense	18,900	3,600	22,428	(18,828)
Debt service				
Principal	62,400	62,400	41,756	20,644
Interest	-	-	15,420	(15,420)
Total expenditures	<u>1,016,538</u>	<u>1,034,034</u>	<u>1,187,440</u>	<u>(153,406)</u>
Net change in fund balance	-	88,404	47,602	(40,802)
Fund balance, July 1, 2017	165,323	165,323	165,323	-
Fund balance, June 30, 2018	<u>\$ 165,323</u>	<u>253,727</u>	<u>212,925</u>	<u>(40,802)</u>

See notes 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**

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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, 2018, 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.

For the year ended June 30, 2018, expenditures exceeded appropriations by \$153,406 in the General Fund. These excess expenditures were funded by revenues in excess of budgeted amounts. Expending funds in excess of budget appropriations is a violation of Florida Statute.



**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***

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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, 2018, 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 26, 2018.

**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 certain deficiencies in internal control, described in the accompanying Schedule of Findings and Recommendations, that we consider to be material weaknesses (2018-001, prior year finding 2017-001 and 2018-002).

## **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 findings 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.



Bradenton, Florida  
September 26, 2018



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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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, 2018, and have issued our report thereon dated September 26, 2018.

### **Auditor's Responsibility**

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

### **Other Reporting Requirements**

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and 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 26, 2018, 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 were not taken to address finding 2017-001 Journal Entries and will be included in the current year report as finding 2018-001.

### **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 and Management**

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.

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

**Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require 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.

**Additional Matters**

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

**Purpose of this Letter**

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



Bradenton, Florida  
September 26, 2018

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

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**2018 – 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, 2018.

**Cause:** During our audit for the year ended June 30, 2018, 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 and to accrue liabilities. 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 will be closely monitoring all journal entries and working with the Charter School's accountant to correct any entries that may be entered incorrectly.

**2018 – 002 Budget**

**Criteria:** In accordance with Florida Statute 1002.33(9)(h), the governing body of the Charter School shall annually adopt and maintain an operating budget. Expenditures should not exceed the budget.

**Condition:** Although the Charter School adopted and amended their budget several times throughout the fiscal year, the budget was not maintained for all changes in operating activity, resulting in expenditures exceeding appropriations in the amount of \$153,406.

**Cause:** Lack of budget oversight during the fiscal year.

**Potential Effect:** Unauthorized expenditures and financial shortfalls at year-end.

**Recommendation:** We recommend that the Charter School closely monitor the budget throughout the year.

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

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS**

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**Management's Response:** Manatee School of Arts and Sciences agrees with the findings and will make all necessary changes to prevent this finding in future audits. Manatee School of Arts and Sciences would like to note that while an amendment was not made to the budget after February, the Board of Directors approved the excess expenditures made between March 1st and June 30th of 2018. This approval was made due to the constant oversight of the budget and the knowledge that the Charter School was working with a significant budget surplus in the operating budget for the 2017-2018 school year. All expenditure decisions were made with the surplus amount in mind, in an effort to ensure the school did not spend more money than was available.