

**RENAISSANCE ARTS AND  
EDUCATION, INC.  
D/B/A MANATEE SCHOOL  
FOR THE ARTS**

A Charter School and Component Unit of the  
District School Board of Manatee County, Florida

**INDEPENDENT AUDITOR'S REPORT**  
*for the fiscal year ended JUNE 30, 2010*

***King & Walker, CPAs, PL***

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*Certified Public Accountants*

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**RENAISSANCE ARTS AND EDUCATION, INC.  
MANATEE SCHOOL FOR THE ARTS**

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**KING & WALKER, CPAs, PL**  
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**Independent Auditor's Report on Basic Financial Statements and  
Required Supplementary Information**

To the Board of Directors Renaissance Arts and Education, Inc.,  
d/b/a Manatee School for the Arts, a Charter School and Component  
Unit of the District School Board of Manatee County, Florida

We have audited the accompanying basic financial statements of the governmental activities and each major fund of Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts ("School"), a charter school and component unit of the District School Board of Manatee County, Florida, as of and for the fiscal year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts as of June 30, 2010, and the respective changes in financial position thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 24, 2010, on our consideration of the Renaissance Arts and Education, Inc., d/b/a Manatee School for the Art's internal control over financial reporting and our tests of its compliance with certain provisions of laws, administrative rules, regulations, contracts and grants, and other guidelines included under the heading ***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***. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion thereon.

Respectfully submitted,

*King & Walker, CPAs*

September 24, 2010  
Lutz, Florida

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2010.

Because the information contained in the MD&A is intended to highlight significant transactions, events, and conditions, it should be considered in conjunction with the School's financial statements and notes to financial statements found on pages 9 through 24.

### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended June 30, 2010, the School's revenues exceeded expenses as shown on the School's statement of activities by \$541,346.
- Overall, revenues increased by \$922,403 due primarily to an increase in enrollment of approximately 10 percent.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The basic financial statements consist of three components:

- ✓ Government-wide financial statements
- ✓ Fund financial statements
- ✓ Notes to financial statements

#### **Government-Wide Financial Statements**

The government-wide financial statements provide both short-term and long-term information about the School's overall financial condition in a manner similar to those of a private-sector business. The statements include a statement of net assets and a statement of activities that are designed to provide consolidated financial information about the governmental activities of the School presented on the accrual basis of accounting. The statement of net assets provides information about the government's financial position, its assets and liabilities, using an economic resources measurement focus. The difference between the assets and liabilities, the net assets, is a measure of the financial health of the School. The statement of activities presents information about the change in the School's net assets and the results of operations, during the fiscal year. An increase or decrease in net assets is an indication of whether the School's financial health is improving or deteriorating. To assess the overall financial position of the School, one needs to consider additional non-financial factors such as changes in the School student base funding level.

## **Fund Financial Statements**

Fund financial statements are one of the components of the basic 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. Fund financial statements provide more detailed information about the School's financial activities, focusing on its most significant funds rather than fund types. This is in contrast to the entity-wide perspective contained in the government-wide financial statements.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, the governmental funds utilize a spendable financial resources measurement focus rather than the economic resources measurement focus found in the government-wide financial statements. The financial resources measurement focus allows the governmental fund financial statements to provide information on near-term inflows and outflows of spendable resources as well as balances of spendable resources available at the end of the fiscal year.

The governmental fund financial statements provide a detailed short-term view that may be used to evaluate the School's near-term financing requirements. This short-term view is useful when compared to the long-term view presented as governmental activities in the government-wide financial statements. To facilitate this comparison, both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation of governmental fund to governmental activities.

The governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balances provide detailed information about the School's most significant funds. The School operates one fund, a General Fund to account for its general operations and internal account activities. For reporting purposes the General Fund is the only major fund of the School.

The School adopts an annual budget for its governmental funds. A budgetary comparison schedule, as required, has been provided for the General Fund to demonstrate compliance with the budget.

## **Notes to Financial Statements**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The following is a summary of the School's net assets as of June 30, 2009, and June 30, 2010:

	Net Assets, End of Year		
	Governmental Activities		
	6-30-09	6-30-10	Increase (Decrease)
<b>ASSETS</b>			
Current and Other Assets	\$ 3,819,743	\$ 1,193,948	\$ (2,625,795)
Noncurrent Assets, Net	7,706,571	11,236,454	3,529,883
Total Assets	<u>11,526,314</u>	<u>12,430,402</u>	<u>904,088</u>
<b>LIABILITIES</b>			
Current Liabilities	676,828	907,514	230,686
Long Term Liabilities	7,498,157	7,630,213	132,056
Total Liabilities	<u>8,174,985</u>	<u>8,537,727</u>	<u>362,742</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Debt	127,314	3,606,241	3,478,927
Unrestricted	3,224,015	286,434	(2,937,581)
Total Net Assets	<u>3,351,329</u>	<u>3,892,675</u>	<u>541,346</u>
Total Liabilities and Net Assets	<u>\$ 11,526,314</u>	<u>\$ 12,430,402</u>	<u>\$ 904,088</u>

Current and other assets decreased due primarily from the expenditure of current resources on the completion of the construction project during the current fiscal. The completion of the construction project in turn resulted in a significant increase in the net value of capital assets as of June 30, 2010. Current and other liabilities increased due to a construction contract payable at fiscal year end. Long term liabilities increased as a result of obtaining a loan for a facility renovation project.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2009, and June 30, 2010, are as follows:

**Operating Results for the Year**

	Governmental Activities		
	6-30-09	6-30-10	Increase (Decrease)
<b>Revenues:</b>			
Federal through Local	\$ 184,646	\$ 248,507	\$ 63,861
State and Local Sources	7,965,828	8,722,210	756,382
Grants, Contributions and Other	307,229	409,389	102,160
<b>Total Revenues</b>	<b>8,457,703</b>	<b>9,380,106</b>	<b>922,403</b>
<b>Expenses:</b>			
Instruction	4,050,001	4,380,199	330,198
Pupil Personnel Services	132,145	170,794	38,649
Instructional Media	86,361	100,830	14,469
Instructional Staff Training	6,177	752	(5,425)
Board of Education	10,000	21,500	11,500
School Administration	1,237,195	1,378,575	141,380
Facilities Acq. & Construction	41,786	62,117	20,331
Fiscal Services	129,867	107,827	(22,040)
Food Services	349,306	406,209	56,903
Pupil Transportation	317,869	284,646	(33,223)
Operation of Plant	752,151	751,042	(1,109)
Maintenance of Plant	111,049	42,548	(68,501)
Community Service	135,471	223,269	87,798
Interest and Fiscal Charges	423,913	414,110	(9,803)
Unallocated Depreciation	490,160	494,342	4,182
<b>Total Expenses</b>	<b>8,273,451</b>	<b>8,838,760</b>	<b>565,309</b>
<b>Increase/(Decrease) in Net Assets</b>	<b>\$ 184,252</b>	<b>\$ 541,346</b>	<b>\$ 357,094</b>

The largest revenue source for the School is the State of Florida (84 percent). Revenues from State sources for current operations are primarily received through the Florida Education Finance Program (FEFP) funding formula and Charter School Capital Outlay funds. Both sources utilize student enrollment data to determine the funds available for the School.

Expenses increased in direct relation to an increase in full time equivalent student attendance for the 2009-2010 school year.

## **FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS**

### **Governmental Funds**

As the School completed the year, its governmental fund reported a total unreserved fund balance of \$286,434.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The general fund budget for the fiscal year ended June 30, 2010, was developed based on the School's anticipated revenues and expenditures and the expected student population for the school year. Over the course of the year, the School revised its budget several times. For the year ended June 30, 2010, actual expenditures were \$4,798 below the final budgeted expenditure amount. Refer to the Budgetary Comparison Schedule – General Fund for additional reference.

Total revenues were \$24,731 over the final budgeted revenue amount.

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal 2010, the School had invested \$11,165,492 in capital assets, including land, buildings and improvements, and furniture, fixtures and equipment, net of accumulated depreciation.

This year's major capital asset additions included the following:

- Buildings and Improvements - \$3,883,314
- Furniture, Fixtures, and Equipment - \$239,803

During the fiscal year the School completed the construction of a music building and administrative office addition and completed a facility renovation project.

Additional information about the School's capital assets is presented in Note 3 to the financial statements.

#### **Long-Term Debt**

At June 30, 2010, the School had \$7,630,213 in long-term debt outstanding, a increase of \$132,056 from last year. The net increase is the result of obtaining a loan for a facility renovation project and the payment of the required principal payments made throughout the fiscal year. Additional information about the School's long-term debt is presented in Notes 4 and 5 to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The School has established itself as a high performing secondary school in Manatee County. Financially, the school is sound. That expectation is predicated on continued funding at the current levels. Significant changes in funding would require review of programming, capital expenditures, and other operating expenditures as considered necessary. Management believes that they have developed a core strength that will maintain the School through most of the normal ebb and flow of public funding. The following economic indicators were taken into account when adopting the 2010-11 fiscal year general fund budget:

- Projected population changes.
- Conservative estimate of FEFP.
- Projected salary and benefit increases.
- Increases in the cost of insurance, facility operation and maintenance costs, and other various operating expenditures.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's, finances and to demonstrate the School's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School's administrative offices at 700 Haben Blvd., Palmetto, Florida 34221.

**RENAISSANCE ARTS AND EDUCATION, INC.  
D/B/A MANATEE SCHOOL FOR THE ARTS  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**STATEMENT OF NET ASSETS  
June 30, 2010**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash & Cash Equivalents	\$ 1,094,256
Due From Other Agencies	59,973
Other Current Assets	39,719
Total Current Assets	<u>1,193,948</u>
Noncurrent Assets:	
Loan Issuance Costs, Net	70,962
Capital Assets:	
Land	1,099,250
Buildings and Improvements, Net	9,510,827
Furniture, Fixtures and Equipment, Net	555,415
Total Noncurrent Assets, Net	<u>11,236,454</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 12,430,402</u></u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 317,724
Salary, Wages, & Benefits Payable	589,790
Long-Term Liabilities:	
Due within one year:	
Notes Payable	68,504
Bonds Payable	184,277
Due after one year:	
Notes Payable	276,838
Bonds Payable	7,100,594
<b>TOTAL LIABILITIES</b>	<u>8,537,727</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	3,606,241
Unrestricted	286,434
Total Net Assets	<u>3,892,675</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 12,430,402</u></u>

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

**RENAISSANCE ARTS AND EDUCATION, INC.  
D/B/A MANATEE SCHOOL FOR THE ARTS  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 4,380,199	\$ -	\$ -	\$ -	\$ (4,380,199)	\$ (4,380,199)
Pupil Personnel Services	170,794				(170,794)	(170,794)
Instructional Media	100,830				(100,830)	(100,830)
Instructional Staff Training	752				(752)	(752)
Board of Education	21,500				(21,500)	(21,500)
School Administration	1,378,575				(1,378,575)	(1,378,575)
Facilities Acquisition & Construction	62,117				(62,117)	(62,117)
Fiscal Services	107,827				(107,827)	(107,827)
Food Services	406,209	251,791	248,507		94,089	94,089
Pupil Transportation	284,646				(284,646)	(284,646)
Operation of Plant	751,042				(751,042)	(751,042)
Maintenance of Plant	42,548				(42,548)	(42,548)
Community Service	223,269				(223,269)	(223,269)
Interest and Fiscal Charges	414,110				(414,110)	(414,110)
Unallocated Depreciation	494,342				(494,342)	(494,342)
Total Governmental Activities	<u>\$ 8,838,760</u>	<u>\$ 251,791</u>	<u>\$ 248,507</u>	<u>\$ -</u>	<u>(8,338,462)</u>	<u>(8,338,462)</u>
General Revenues:						
State and Local sources					8,470,419	8,470,419
Investment Income					1,846	1,846
Contributions and Other Revenue					407,543	407,543
Total General Revenues					<u>8,879,808</u>	<u>8,879,808</u>
Change in Net Assets					541,346	541,346
Net Assets - July 1, 2009					3,351,329	3,351,329
Net Assets - June 30, 2010					<u>\$ 3,892,675</u>	<u>\$ 3,892,675</u>

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

**RENAISSANCE ARTS AND EDUCATION, INC.  
D/B/A MANATEE SCHOOL FOR THE ARTS  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

***BALANCE SHEET - GOVERNMENTAL FUNDS***

***June 30, 2010***

	<u>General Fund</u>
<b>ASSETS</b>	
Cash & Cash Equivalents	\$ 1,094,256
Due From Other Agencies	59,973
Other Current Assets	39,719
	<hr/>
Total Assets	<u>\$ 1,193,948</u>
 <b>LIABILITIES AND FUND BALANCE</b>	
Liabilities:	
Accounts Payable	\$ 317,724
Salary, Wages, & Benefits Payable	589,790
	<hr/>
Total Liabilities	<u>907,514</u>
 Fund Balance:	
Unreserved	286,434
	<hr/>
Total Fund Balance	286,434
	<hr/>
Total Liabilities and Fund Balance	<u>\$ 1,193,948</u>

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

**RENAISSANCE ARTS AND EDUCATION, INC.  
D/B/A MANATEE SCHOOL FOR THE ARTS  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS**

*June 30, 2010*

<b>Total Fund Balances - Governmental Funds</b>	\$	286,434
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and therefore, are not reported as assets in governmental funds.		11,165,492
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Loan issuance costs net of accumulated amortization are reported as an expenditure in the General Fund in the year of expenditure and are capitalized in the Statement of Net Assets.		70,962
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at year-end consist of:

Notes Payable	(345,342)	
Bonds Payable	<u>(7,284,871)</u>	<u>(7,630,213)</u>

<b>Total Net Assets - Governmental Activities</b>	\$	<u><u>3,892,675</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

**RENAISSANCE ARTS AND EDUCATION, INC.**  
**D/B/A MANATEE SCHOOL FOR THE ARTS**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**

*For the Fiscal Year Ended June 30, 2010*

	<u>General Fund</u>
<b>Revenues</b>	
Intergovernmental:	
Federal Through Local	\$ 248,507
State and Local	8,722,210
Contributions and Other Revenue	409,389
Total Revenues	9,380,106
<b>Expenditures</b>	
Current - Education:	
Instruction	\$ 4,390,209
Pupil Personnel Services	170,794
Instructional Media	100,830
Instructional Staff Training	752
Board of Education	21,500
School Administration	1,378,576
Facilities Acquisition & Construction	62,117
Fiscal Services	107,827
Food Services	406,209
Pupil Transportation	284,646
Operation of Plant	751,042
Maintenance of Plant	42,548
Community Service	223,269
Fixed Capital Outlay:	
Facilities Acquisition & Construction	3,842,488
Other Capital Outlay	191,875
Debt Service:	
Principal	205,757
Interest and Fiscal Charges	393,961
Total Expenditures	12,574,400
Excess (Deficiency) of Revenues Over Expenditures	(3,194,294)
Other Financing Sources (Uses):	
Note Payable Proceeds	337,813
Total Other Financing Sources (Uses)	337,813
Net Change in Fund Balance	(2,856,481)
Fund Balance, July 1, 2009	3,142,915
Fund Balance, June 30, 2010	\$ 286,434

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

**RENAISSANCE ARTS AND EDUCATION, INC.  
MANATEE SCHOOL FOR THE ARTS  
A CHARTER SCHOOL AND COMPONENT UNIT OF THE  
DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
For the Fiscal Year Ended June 30, 2010**

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ (2,856,481)
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Amounts reported for governmental activities in the statement of activities are different because:

<p>Capital outlays are reported in governmental funds 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 of capital outlays (\$4,034,363) in excess of depreciation expense (\$494,342) in the current period.</p>	3,540,021
<p>The Statement of Activities reflect the current year portion of amortization of loan issuance costs. The Statement of Net Assets present the unamortized amount of loan issuance costs as an asset net of amortization.</p>	(10,138)
<p>Long-term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which notes payable proceeds (\$337,813) long-term debt principal repayments (\$205,757) in the current period.</p>	<u>(132,056)</u>
<b>Change in Net Assets - Governmental Activities</b>	<u><u>\$ 541,346</u></u>

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

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

➤ **Reporting Entity**

The Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts (“School”) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act and Section 1002.33, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of four members. The President of Renaissance Arts and Education, Inc., is the executive officer of the School.

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Manatee County, Florida, (“District”). The current charter is effective until June 30, 2023, and may be renewed by mutual agreement between the School and the District. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter. In this case, the District is required to notify the school in writing at least 90 days prior to the charter’s expiration. During the term of the charter, the District may also terminate the charter if good cause is shown.

The School is considered a component unit of the District; and meets the definition of a governmental entity under the *Audit and Accounting Guide – State and Local Governments* issued by the American Institute of Certified Public Accountants; therefore, for financial reporting purposes, the School is required to follow generally accepted accounting principles applicable to state and local governmental units.

Criteria for determining if other entities are potential component units which should be reported within the School's basic financial statements are identified and described in the Governmental Accounting Standards Board's (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provides for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

➤ **Basis of Presentation**

The School’s financial statements have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board. Accordingly, both government-wide and fund financial statements are presented.

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

Government-wide Financial Statements - Government-wide financial statements, including the statement of net assets and the statement of activities, present information about the School as a whole.

Government-wide financial statements are prepared using the economic resources measurement focus. The statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are thereby clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School.

Fund Financial Statements - Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The School's major governmental fund is as follows:

- General Fund – to account for all financial resources not required to be accounted for in another fund, and for certain revenues from the State that are legally restricted to be expended for specific current operating purposes.

➤ **Basis of Accounting**

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. 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. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. Allocations of cost, such as depreciation, are not recognized in governmental funds.

➤ **Budgetary Basis Accounting**

Budgets are presented on the modified accrual basis of accounting. During the fiscal year, expenditures were controlled at the object level (e.g., salaries, purchased services and capital outlay).

➤ **Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of demand deposits held by banks qualified as public depositories under Florida law. Deposits on hand at financial institutions are insured by the Federal Deposit Insurance Company and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

➤ **Capital Assets and Depreciation**

Expenditures for capital assets acquired or constructed for general School purposes are reported in the governmental fund that financed the acquisition or construction. The capital assets so acquired are reported at cost in the government-wide statement of net assets but are not reported in the governmental fund financial statements. Donated capital assets are recorded at fair value at the date of donation. Capital assets are defined by the School as those costing more than \$750. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Furniture, Fixtures and Equipment	5 - 10 years
Buildings and Improvements	10 - 40 years

Current-year information relative to changes in capital assets is described in a subsequent note.

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

➤ **Compensated Absences**

Compensated absences (i.e. paid absences for employee vacation and sick leave (personal leave)) are recorded as an expenditure in governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. The School leave policy does not allow for carrying leave into a future fiscal year. Any personal leave not used during a fiscal year is paid to employees prior to the fiscal year end; therefore, no provision for unpaid compensated absences is required in the government-wide or governmental fund financial statements.

➤ **Long-term Debt**

Long-term obligations that will be financed by resources to be received in the future by the general fund are reported in the government-wide financial statements, not in the general fund. Current-year information relative to changes in long-term debt is described in subsequent notes.

➤ **Revenue Sources**

Revenues for current operations are received primarily from the District pursuant to the funding provisions included in the School's charter. As such, the School's revenue stream is largely dependent upon the general state of the economy and the amounts allotted to the Florida Department of Education (FDOE) by the state legislature. In accordance with the funding provisions of the charter and Section 1002.33(18), Florida Statutes, the School reports the number of full-time equivalent students and related data to the District.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of full-time equivalent students and related data to the FDOE for funding through the Florida Education Finance Program (FEFP). Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the FEFP and the actual weighted full-time equivalent (FTE) students reported by the School during designated full-time equivalent student survey periods. The Department may also adjust subsequent fiscal period allocations based upon an audit of the School's compliance in determining and reporting FTE and related data. Normally, such adjustments are treated as reductions or additions of revenue in the year when the adjustments are made. The District receives a 5% administrative fee from the School, which is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

The basic amount of funding through the FEFP under Section 1011.62 is the product of the (1) unweighted FTE, multiplied by (2) the cost factor for each program, multiplied by (3) the base student allocation established by the legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section

**RENAISSANCE ARTS AND EDUCATION, INC.,  
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A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2010, the School reported 1,225.84 Unweighted FTE and 1,244.44 Weighted FTE.

FEFP funding may also be adjusted as a result of subsequent FTE audits conducted by the Florida Auditor General pursuant to Section 1010.305, Florida Statutes, and Rule 6A-1.0453, Florida Administrative Code (FAC). Schools are required to maintain the following documentation for three years or until the completion of an FTE audit:

- Attendance and membership documentation (Rule 6A-1.044, FAC).
- Teacher certificates and other certification documentation (Rule 6A-1.0503, FAC).
- Documentation for instructors teaching out-of-field (Rule 6A-1.0503, FAC).
- Procedural safeguards for weighted programs (Rule 6A-6.03411, FAC).
- Evaluation and planning documents for weighted programs (Section 1010.305, Florida Statutes, and Rule 6A-6.03411, FAC).

The School receives federal or state awards for the enhancement of various educational programs. This assistance is generally received based on applications submitted to and approved by various granting agencies. For federal or state 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.

The School also receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures and, as such are reflected as restricted/reserved fund balance in the accompanying statement of net assets and balance sheet – governmental funds to the extent that they remain unexpended.

The School also receives funding through donations and fundraising efforts, school lunch sales and local property tax collections.

The School follows the policy of applying restricted resources prior to applying unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted assets are available.

A schedule of revenue sources for the current year is presented in a subsequent note.

➤ **Income Taxes**

The School is exempt from Federal tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

➤ **Use of Estimates**

In preparing the financial statements in conformity with generally accepted accounting principles in the United States (GAAP) management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of net assets and affect revenues and expenditures for the period presented. Actual results could differ significantly from those estimates.

**2. DUE FROM OTHER AGENCIES**

The Amount due from other agencies included in the accompanying statement of net assets and balance sheet – governmental funds represents an amount due from the Manatee County School District. This receivable is considered to be fully collectible and therefore, no allowance for uncollectible accounts has been established.

**3. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are presented in the table below:

	Balance 7/1/2009	Additions	Deletions	Balance 6/30/2010
<b><u>GOVERNMENTAL ACTIVITIES</u></b>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,099,250	\$ -	\$ -	\$ 1,099,250
Construction in Progress	88,754	-	(88,754)	-
Total Capital Assets Not Being Depreciated	<u>1,188,004</u>	<u>-</u>	<u>(88,754)</u>	<u>1,099,250</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	7,891,324	3,883,314	-	11,774,638
Furniture, Fixtures, and Equipment	1,849,336	239,803	-	2,089,139
Total Capital Assets Being Depreciated	<u>9,740,660</u>	<u>4,123,117</u>	<u>-</u>	<u>13,863,777</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,949,084)	(314,727)	-	(2,263,811)
Furniture, Fixtures, and Equipment	(1,354,109)	(179,615)	-	(1,533,724)
Total Accumulated Depreciation	<u>(3,303,193)</u>	<u>(494,342)</u>	<u>-</u>	<u>(3,797,535)</u>
Total Capital Assets Being Depreciated, Net	<u>6,437,467</u>	<u>3,628,775</u>	<u>-</u>	<u>10,066,242</u>
Governmental Activities Capital Assets, Net	<u>\$ 7,625,471</u>	<u>\$ 3,628,775</u>	<u>\$ (88,754)</u>	<u>\$ 11,165,492</u>

Unallocated depreciation expense for the 2009-10 fiscal year was \$494,342.

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**4. BONDS AND NOTES PAYABLE**

Bonds and notes payable at June 30, 2010, are as follows:

<u>Type of Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Bank Qualified Bonds:			
Wachovia Bank-Series 2007A	\$ 4,409,264	5.36%	2023
Wachovia Bank-Series 2007B	2,875,607	5.36%	2023
Notes Payable:			
Wells Fargo Equipment Note	328,188	6.34%	2015
Piano Distributors Loan	17,154	N/A	2011
Total Bonds Payable	<u>\$ 7,630,213</u>		

The various bonds and notes were issued to finance capital outlay projects of the School. The following is a description of bonds and notes payable:

**Bank Qualified Bond Series 2007-A:** The School entered into a financing arrangement with the City of Palmetto, Florida and Wachovia Bank. In December 2007, the City of Palmetto issued \$4,600,000 in Industrial Development Refunding Revenue Bonds, Series 2007-A (tax exempt municipal bonds) and sold these bonds to Wachovia Bank. Under a promissory note and mortgage agreement, the City of Palmetto loaned the proceeds of the sale to the School to refinance obligations secured by the school facilities. The City of Palmetto then assigned its rights under the promissory note and mortgage to Wachovia Bank. Interest is applied with a forward-swap floating interest rate, currently at 5.36%. The maturity date of the note is December 27, 2022, and includes a final principal payment of approximately \$2,600,000 on that date.

**Bank Qualified Bond Series 2007-B:** The School entered into a financing arrangement with the City of Palmetto, Florida and Wachovia Bank. In December 2007, the City of Palmetto issued \$3,000,000 in Industrial Development Refunding Revenue Bonds, Series 2007-B (tax exempt municipal bonds) and sold these bonds to Wachovia Bank. Under a promissory note and mortgage agreement, the City of Palmetto loaned the proceeds of the sale to the School to finance additional capital improvements to the school. The City of Palmetto then assigned its rights under the promissory note and mortgage to Wachovia Bank. Interest is applied with a forward-swap floating interest rate, currently at 5.36%. The maturity date of the note is December 27, 2002, and includes a final principal payment of approximately \$1,700,000 on that date.

**HVAC System Renovations & Walk in Freezer Loan:** The School entered into a promissory note arrangement with Wells Fargo Equipment Finance, Inc. In March 2010, the School was loaned funds to finance additional HVAC system renovations and to purchase and install a walk in freezer for capital improvements to the school. Payments of \$6,584.41 including principal and interest are due monthly. The maturity date of the note is April 2015.

**RENAISSANCE ARTS AND EDUCATION, INC.,  
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A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Piano Distributors Loan:** Payable to Piano Distributors of Florida, Inc. balance due in two annual \$8,577 installments of principal with no stated interest rate, maturing April 2012. Note is secured by a grand piano.

Annual requirements to amortize all bonds and notes outstanding as of June 30, 2010, are as follows:

Fiscal Year Ending June 30:	Total	Principal	Interest
2011	\$ 657,852	\$ 252,781	\$ 405,071
2012	657,852	266,816	391,036
2013	649,275	273,086	376,189
2014	649,275	288,791	360,484
2015	636,107	292,202	343,905
2016-2020	2,851,309	1,343,584	1,507,725
2021-2023	5,519,456	4,912,953	606,503
Total	<u>\$11,621,126</u>	<u>\$7,630,213</u>	<u>\$3,990,913</u>

**5. CHANGES IN LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities:

	7/1/2009	Additions	Deductions	6/30/2010	One Year
GOVERNMENTAL ACTIVITIES:					
Installment Purchase Payable	\$ 69,734	\$ -	\$ (69,734)	\$ -	\$ -
Notes Payable	17,154	337,813	(9,625)	345,342	68,504
Bonds Payable	7,411,269	-	(126,398)	7,284,871	184,277
Total Governmental Activities	<u>\$7,498,157</u>	<u>\$337,813</u>	<u>\$(205,757)</u>	<u>\$7,630,213</u>	<u>\$252,781</u>

**6. RETIREMENT PLAN**

The School has an employee savings plan under Section 401(k) of the Internal Revenue code. This plan allows eligible employees to defer a portion of their income on a pretax basis through plan contributions. Employer contributions to the plan are determined annually by the board of Directors. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The School contribution to the plan for the year ended June 30, 2010, was \$279,018.

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

A Charter School and Component Unit of the District School Board of Manatee County, Florida

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**7. SCHEDULE OF FEDERAL, STATE, & LOCAL REVENUE SOURCES**

The following is a schedule of the School's Federal, State, and local revenue for the 2009-10 fiscal year:

Source	Amount
<i>FEDERAL:</i>	
National School Lunch & Breakfast Program	\$ 248,507
Total Federal Revenue	\$ 248,507
 <i>STATE:</i>	
Florida Education Finance Program	\$4,523,768
Categorical Educational Programs:	
Class Size Reduction	1,118,026
Transportation	381,603
Supplementary Academic Instruction	251,559
Instructional Materials	98,567
Reading Allocation	47,053
Lottery Allocation	3,277
State Fiscal Stabilization Allocation	401,484
Charter School Capital Outlay	774,920
ESE Guaranteed Allocation	191,561
School Recognition	83,971
Total State Revenue	7,875,789
 <i>LOCAL:</i>	
Discretionary Millage	594,630
Student Lunches	251,791
Total Local Revenue	846,421
Total State and Local Revenue	\$8,722,210

As provided in the charter school contract and Florida Department of Education Rules, the District has charged the School an administrative fee in the amount of \$154,896.

Accounting policies relating to certain State revenue sources are described in Note 1.

**8. RISK MANAGEMENT PROGRAM**

Workers' compensation, health and hospitalization, general liability, professional liability and property insurance coverage is being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage.

**RENAISSANCE ARTS AND EDUCATION, INC.,  
D/B/A MANATEE SCHOOL FOR THE ARTS**

**A Charter School and Component Unit of the District School Board of Manatee County, Florida**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2010**

**9. OTHER COMMITMENTS AND CONTINGENT LIABILITIES**

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies, therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2010, may be impaired.

In the opinion of the School, there are no significant liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. In the opinion of management, the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

**10. FUNDING AND CREDIT RISK CONCENTRATIONS**

The School receives substantially all of its support and revenue from federal, state and local funding sources, passed through the District, in the form of performance and budget based contracts. Continuing operation of the School is greatly dependent upon the continued support of these governmental agencies.

**RENAISSANCE ARTS AND EDUCATION, INC.**  
**D/B/A MANATEE SCHOOL FOR THE ARTS**  
**A CHARTER SCHOOL AND COMPONENT UNIT OF THE**  
**DISTRICT SCHOOL BOARD OF MANATEE COUNTY, FLORIDA**

**REQUIRED SUPPLEMENTARY INFORMATION**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)**  
*For the Fiscal Year Ended June 30, 2010*

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
<b>Revenues:</b>				
Intergovernmental:				
Federal through Local	\$ 175,000	\$ 246,062	\$ 248,507	\$ 2,445
State and Local	8,605,539	8,463,965	8,722,210	258,245
Contributions and Other Revenue	206,295	645,348	409,389	(235,959)
<b>Total Revenues</b>	<b>8,986,834</b>	<b>9,355,375</b>	<b>9,380,106</b>	<b>24,731</b>
<b>Expenditures:</b>				
Current - Education:				
Instruction	4,415,909	4,390,209	4,390,209	-
Pupil Personnel Services	161,463	170,794	170,794	-
Instructional Media	99,850	101,000	100,830	170
Instructional Staff Training	6,950	1,100	752	348
Board of Education	16,500	21,500	21,500	-
School Administration	1,288,969	1,378,576	1,378,576	-
Facilities Acquisition & Construction	-	62,117	62,117	-
Fiscal Services	125,639	108,720	107,827	893
Food Services	375,523	409,062	406,209	2,853
Pupil Transportation	289,000	284,646	284,646	-
Operation of Plant	743,469	751,042	751,042	-
Maintenance of Plant	105,600	43,000	42,548	452
Community Service	154,500	223,269	223,269	-
Fixed Capital Outlay:				
Facilities Acquisition & Construction	-	3,842,488	3,842,488	-
Other Capital Outlay	327,825	191,875	191,875	-
Debt Service:				
Principal	249,132	196,000	205,757	(9,757)
Interest and Fiscal Charges	406,594	403,800	393,961	9,839
<b>Total Expenditures</b>	<b>8,766,923</b>	<b>12,579,198</b>	<b>12,574,400</b>	<b>4,798</b>
Excess (Deficiency) of Revenues Over Expenditures	219,911	(3,223,823)	(3,194,294)	29,529
Other Financing Sources (Uses):				
Note Payable Proceeds	-	337,813	337,813	-
Total Other Financing Sources (Uses)	-	337,813	337,813	-
<b>Net Change in Fund Balance</b>	<b>219,911</b>	<b>(2,886,010)</b>	<b>(2,856,481)</b>	<b>29,529</b>
Fund Balance, July 1, 2009	-	3,142,915	3,142,915	-
<b>Fund Balance, June 30, 2010</b>	<b>\$ 219,911</b>	<b>\$ 256,905</b>	<b>\$ 286,434</b>	<b>\$ 29,529</b>

See Independent Auditor's Report.

**KING & WALKER, CPAs, PL**  
*Certified Public Accountants*

**David M. King, CPA**  
**Robert I. Walker, CPA**

840 W. Lutz Lake Fern Road  
Lutz, FL 33548  
*office (813) 610-0659 fax (813) 949-9376*

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance with *Government Auditing Standards***

To the Board of Directors Renaissance Arts and Education, Inc.,  
d/b/a Manatee School for the Arts, a Charter School and  
Component Unit of the District School Board of Manatee County, Florida

We have audited the basic financial statements of the Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts ("School"), a charter school and component unit of the District School Board of Manatee County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon included under the heading ***Independent Auditor's Report on Basic Financial Statements and Required Supplementary Information***. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the School's financial statements for the fiscal year ended June 30, 2010, we considered the School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other guidelines, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the School and its management, the District School Board of Manatee County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 24, 2010  
Lutz, Florida

**KING & WALKER, CPAs, PL**  
*Certified Public Accountants*

**David M. King, CPA**  
**Robert I. Walker, CPA**

840 W. Lutz Lake Fern Road  
Lutz, FL 33548  
*office (813) 610-0659 fax (813) 949-9376*

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**Management Letter as Required by Rules of the Florida Auditor General,  
Chapter 10.850, Florida Statutes, *Charter School Audits***

To the Board of Directors Renaissance Arts and Education, Inc.,  
d/b/a Manatee School for the Arts, a Charter School and Component  
Unit of the District School Board of Manatee County, Florida

We have audited the basic financial statements of the Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts (“School”), a charter school and component unit of the District School Board of Manatee County, Florida, as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 24, 2010.

We have issued our independent auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with *Government Auditing Standards* dated September 24, 2010. Disclosures in that report, if any, should be considered in conjunction with this management letter.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States. In addition, our audit was conducted in accordance with provisions of Chapter 10.850, Rules of the Auditor General, which govern the conduct of charter school audits performed in the State of Florida and require certain items be addressed in this letter.

The Rules of the Auditor General (Section 10.854(1)(e)1.), require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. There were no prior audit findings.

The Rules of the Auditor General (Section 10.854(1)(e)2.), require that we make a statement as to whether the School has met one or more of the conditions described in Section 218.503(1), Florida Statutes regarding financial emergency. We applied financial condition assessment procedures pursuant to Rules of the Auditor General (Section 10.855(10)). The School has not met any of the conditions of the referenced statute and is not in a state of financial emergency.

Pursuant to Sections 10.854(1)(3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management’s responsibility to monitor the 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.

The Rules of the Auditor General (Section 10.854(1)(e)3.), 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.

The Rules of the Auditor General (Section 10.854(1)(e)4,5.), require disclosure in the management letter of matters that are not clearly inconsequential considering both quantitative and qualitative factors which include the following:

- Violations of laws, rules, regulations, contracts, and grant agreements or abuse that have occurred, or are likely to have occurred.
- Improper expenditures discovered within the scope of the financial audit which may or may not materially affect the financial statements.
- Control deficiencies that are not significant deficiencies, including, but not limited to: (1) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the annual financial statements); (2) failures to properly record financial transactions, and (3) inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor.

Our audit disclosed no matters required to be disclosed by this Rule.

The Rules of the Auditor General (Section 10.854(1)(e)6.), require we disclose the name or official title of the school or center. The school's official name is Renaissance Arts and Education, Inc., d/b/a Manatee School for the Arts.

This letter is intended for the information and use of the School and its management, the District School Board of Manatee County, Florida, the Florida Department of Education, the Florida Auditor General, and other granting agencies and is not intended to be and should not be used by anyone other than these specific parties.

Respectfully submitted,

Handwritten signature in black ink that reads "King & Walker, CPAs". The signature is written in a cursive, flowing style.

September 24, 2010  
Lutz, Florida

**RENAISSANCE ARTS AND EDUCATION, INC., D/B/A MANATEE  
SCHOOL FOR THE ARTS**  
**A Charter School and Component Unit of the District School Board of Manatee County, Florida**

**MANAGEMENT'S RESPONSE TO AUDIT FINDINGS**

**Year Ended June 30, 2010**

The following is the School's response to the item in the Management Letter dated September 24, 2010, as required by Rule 10.857, Rules of the Auditor General:

No response required.