

MANATEE SCHOOL OF  
ARTS AND SCIENCES, INC.

A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

FINANCIAL STATEMENTS  
June 30, 2010

## CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT .....	1
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Assets.....	10
Statement of Activities.....	11
Fund Financial Statements:	
Balance Sheet - General Fund.....	12
Reconciliation of the Balance Sheet - General Fund to the Statement of Net Assets.....	13
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual of the General Fund .....	14
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual of the General Fund to the Statement of Activities.....	15
NOTES TO FINANCIAL STATEMENTS.....	16
INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i> .....	23
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS .....	25
MANAGEMENT LETTER.....	26



## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and the General Fund of Manatee School of Arts and Sciences, Inc. (a Charter School and component unit of the School Board of Manatee County) as of and for the year ended June 30, 2010, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of Manatee School of Arts and Sciences, Inc. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 governmental activities and the General Fund of Manatee School of Arts and Sciences, Inc. as of June 30, 2010, and the respective changes in financial position and budgetary comparison for the General Fund for the 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 our report dated September 27, 2010, on our consideration of Manatee School of Arts and Sciences, Inc.'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* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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 on it.

*CPA Associates*

Bradenton, Florida  
September 27, 2010

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

June 30, 2010

(Unaudited)

---

The following pages represent the Management's Discussion and Analysis (MD&A) for the Manatee School of Arts and Sciences, Inc. (the School). It depicts and reviews the financial picture and activities as of June 30, 2010.

The intent of this MD&A is to present a picture and assessment of the School's financial performance in an effort to more clearly demonstrate to readers the results of this year's financial operation. Readers should review this MD&A along with the basic financial statements and the notes also enclosed.

### Using the Financial Statements

This financial report includes a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the School as a financial whole, or as an entire operating entity.

The Statement of Net Assets and the Statement of Activities provide information about the activities of the School as a whole, presenting both an aggregate view of the School's finances and a longer-term view of those finances. The General Fund statements provide more detail. These statements show how services were financed in the short-term as well as what financial resources remain for future spending.

### Financial Highlights

- **Net Assets** increased by \$138,960 from \$1,433,895 to \$1,572,855 for the year ended June 30, 2010.
- **Total Assets** increased by \$32,953 from \$2,392,458 to \$2,425,411 and is attributed to the following elements:

	<u>Increase (Decrease)</u>
Cash	\$ ( 24,928)
Due from primary government	35,034
Prepaid expenses	57,653
Capital assets, net of accumulated depreciation	( 33,652)
Other assets	( 1,154)

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

June 30, 2010

(Unaudited)

---

The decrease in cash is due to outstanding revenues due from the School Board of Manatee County for IDEA funding and the June payment of Capital outlay totaling \$35,034; however, it should be noted that when comparing the School's fund balance from June 30, 2009 to June 30, 2010 there was an increase in the overall fund balance. Prepaid expenses increased due to purchases of technology and curriculum for the coming year that were paid for in this fiscal year, but were not put into service. There was a decrease of Capital Assets and Other Assets due to depreciation expenses taken this year.

- **Total liabilities** decreased by \$106,007 from \$958,563 to \$852,556 due to the following items:

		<u>Increase (Decrease)</u>
Current portion of long term debt	\$	4,385
Accrued payroll expenses	(	18,986)
Other	(	2,146)
Long-term debt	(	89,260)

Liabilities continue to decrease as we continue to pay down our mortgage debt. Payroll decreased due to maintaining the same salary levels as the previous year and decreasing staff based on student population counts.

- **Total Revenues** increased by \$5,395 from \$1,522,479 to \$1,527,874. The increase is attributed to the following:

		<u>Increase (Decrease)</u>
Federal pass-through	\$	14,691
Local	(	7,109)
Fundraising and contributions	(	69)
Investment income	(	2,118)

The increase in revenue is minimal due to the continuing decrease in budgetary allocations from the state passed through to the local level and then through to the School. Our student body could not go above 144 students in K-3 or 66 students in 4-8 in order to maintain compliance with the class size amendment. However, in the 2009-2010 school years the student body decreased uncharacteristically with an average of 191.5. According to an article in the Orlando Sentinel on November 15, 2009 "residents flee and jobs vanish." In this article, many residents of Florida were interviewed and expressed concern for the economy in Florida, the foreclosure

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

June 30, 2010

(Unaudited)

---

rate and sentiment those good times will not return to Florida. This was felt at the School during the 2009-2010 school years with a considerable loss in student numbers and consequently laying off staff.

We expect base revenues for the next few years will continue to decline as budget cuts are passed through and until the economy rebounds. There has been a definite declining trend in fundraising as traditional fundraising reaches into the pockets of our families and friends who are struggling during these times of uncertainty. Fundraising decreased last year and this year by a total of \$10,596.

It should be noted that projections for the 2010-2011 school year is 232 students, and the School closed the first week with 218 students, which is approximately 50 more students than the 2009-2010 school year. This is a positive trend considering the deep concern for Florida's economy from resident's leaving the state.

The School did allocate going forward balances this year to purchase new technology as the 21<sup>st</sup> century student is ready to learn with technology at their fingertips. Students will be introduced to learning with interactive white boards, flip cameras, pocket projectors, DSI's Think Pads as well as an introduction of Singapore Math and Read 180. It is important to this School's Board of Directors and Administration to maintain innovative programming meeting the challenges our students face today.

The largest revenue source for Manatee School of Arts and Sciences, Inc. is the Florida Education Finance Program (FEFP) which allocates funds based on the number and type of student enrolled in our school. Grants, Federal and private, account for the second largest source of funds at our school. Grant writing has proven to be more difficult than in past years as foundations are also feeling the consequences of the economy. Fundraising is our primary source for maintenance and enhancement of our outdoor education programming.

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

June 30, 2010

(Unaudited)

- 
- **General Fund: Total expenditures** decreased by \$143,687 from \$1,560,304 to \$1,416,617 primarily due to the following:

	<u>Increase (Decrease)</u>
Instruction	\$ ( 151,178)
Pupil personnel services	50
Board	( 20,697)
General administration	1,074
School administration	38,839
Operation of plant	( 5,064)
Maintenance of plant	( 16,705)
Capital outlay	9,993
Debt service:	
Principal	4,202
Interest	( 4,201)

Instruction decreased due to salaries remaining the same from the 2008-2009 school years to the 2009-2010 school years. Retention bonuses were also not paid during this school year.

The lower student count did not require as many teachers as the prior year and three teachers were laid off. One teacher was able to be brought back in light of the increase in students at the February count. Extra staff was again provided this year to provide intensive remediation.

Board expenses decreased due to less need for legal services this year. School Administration increased due to the reallocation of Payroll, taxes and benefits being reallocated for Administrative personnel out of instruction to school administration. Operation and Maintenance of plant decreased due to less of the school facility in actual use due to the lower student count.

- **General Fund Budget Comparison:** The School is prepared according to Generally Accepted Accounting Principles and according to Florida Law. During the school year the School's Board of Directors at the request of the Director of School Operations and Finance revises its budget to adjust for changes in revenues or expenditures. This happens following the two FTE counts done in October and February of every school year. A statement showing the School's original and final budget compared with actual operating results is presented in the financial statements.

The School's year end results were in line with the budget coming just under in expenses and a bit higher in revenues.

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

June 30, 2010

(Unaudited)

---

Overall, budget guidelines were met. Our fund balance on July 1, 2009, was \$482,083 and on June 30, 2010, the fund balance was \$570,974 increasing for the year by \$88,891. Please note the budget comparison does not include reserves that were budgeted for expenses that are unforeseen. Revenues are forecasted conservatively and expenditures are projected to meet all possible expenses and special projects.

**Capital Assets and Long Term Debt Administration**

- **Capital Assets**

At June 30, 2010, the School was invested in a variety of capital assets including land, building, furniture, technology and other equipment. The total capital asset, \$1,724,457 is net of accumulated depreciation.

Below is a description of the school's capital assets:

Land	\$	250,252
Facility		1,878,475
Furniture and equipment		421,186
Total		<u>2,549,913</u>
Less accumulated depreciation	(	<u>825,456)</u>
	\$	<u><u>1,724,457</u></u>

\$45,549 in furniture fixtures and equipment was capitalized in the current year with no disposals for the year. During the current year depreciation was calculated for instruction, school administration, maintenance of plant, operation of plant, general administration and pupil personnel services totaling \$79,202. Accumulated depreciation totaled \$825,456.

**Long Term Debt**

At June 30, 2010, the School had an outstanding loan for Phase 1 of \$580,360. This long term debt is a 15 year mortgage at a 4.75% interest rate and is due to mature January 26, 2017. Payments are made monthly. Also, at June 30, 2010, the School had an outstanding second loan of \$147,985. This long term debt is a 15 fifteen year mortgage at a 6.75% interest rate and is due to mature July 31, 2019. Payments are debited from our regular checking account on a monthly basis. The School incurred interest expenses of \$40,443.

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

June 30, 2010

(Unaudited)

---

**Economic Factors and Next Year's Budget**

The financial success of the School rests with the continuation of conservative financial management as well as meeting the academic needs of its student body and personnel needs of its staff. It is felt by this administration that the continued success of the student body remains with creating a demand for the School's program and maintaining a motivated and consistent staff. This is the best way to create an environment where children can learn. All staff members from the Fiscal Year 2010 are returning for the upcoming school year and the average length of service for the staff at the School is now 7 years. Staff continues their education and extensive brain research strategies that are intertwined into each lesson. Students learning styles drive the lesson planning. Planning for individual students is second nature at the School. Students come to our school with all different backgrounds and levels of knowledge and our teachers adjust to their needs to bring each student up to their appropriate developmental level.

It will be required for charter schools to meet certain goals regarding class size by the school year 2011. Class sizes in kindergarten through third grade must be at 18 while fourth through eighth grade must be no more than 22 students. The School did meet class size amendment for the 2009-2010 school years. It is important to note that classes that are multi-graded are measured at the grade level comprising the majority in that classroom. For example, if a class has 10 third graders and 11 fourth graders the state will measure the class size for that classroom as if it was a fourth grade classroom and vice versa if the class had 11 third graders and 10 fourth graders the class size would be measured by third grade standards. By the year 2011, Charter schools will be measured at the classroom level.

The Class Size Amendment has been one of the most challenging pieces of legislation for our school. FEFP funding is based on the number and types of students. With less students there is less funding. Space restrictions force our school to grow to a student body of no more than 232 to be in compliance with the class size amendment at this time. In the year 2011, the class size will be measured at the class room level for Manatee County; however, charter schools will still be measured at the school level. It has always been a goal to accept any student who wishes to attend our school. The Class Size Amendment Legislation will restrict students from entering our school and necessitate us to build a continuous waiting list and continuing to implement the lottery as space becomes available.

It is our hope the appeal pending will pass, and class size will be adjusted to a more realistic level for financially supporting teaching, learning and the needs of each student and our staff.

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

June 30, 2010

(Unaudited)

---

Communication with parents and families is ongoing. We have monthly conference days and if those can't be met, conferences are scheduled during the school day. We continue to use our gogeckos.com web site for parents to see their children's progress, grades, lesson plans and learning goals. The School also maintains msasgeckos.org as a communication tool for teachers and families about homework, school events, policies and weekly letters from the principal. Many teachers and students create and maintain a classroom website as part of their curriculum.

The results of conservative fiscal management over our thirteen years of operation have enabled the school to maintain a healthy reserve. It continues to be our policy to maintain 10% of revenues in that reserve to plan for future growth and be in compliance with present and future legislation. The School also maintains a reserve to continue the school contribution to participants in the retirement plan. The School makes a matching contribution to all staff who participates, according to the guidelines of the plan. Presently our reserve exceeds our goals and is planned for bringing our teaching into the 21<sup>st</sup> century with technology being used to continue to keep the students attentive and motivated. The outstanding education programs at our school and the success of the students over time continue to be the best way to attract students to the School.

The economy and state of affairs in our country, let alone the state of Florida and Manatee County, is troublesome and continues to be a major source of concern with regard to the funding of charter schools and education as a whole. The base student allocation is \$3,623.76 which is \$7.00 less than in the 2003-2004 school years, but even more concerning is that it is \$540.00 less per student that was received in the 2007-2008 school years. Education costs, however, continue to rise at even a faster rate than the loss of the base student allocation. It is difficult to balance, and a challenge to maintain, increasing salaries and benefits of our staff with less revenue.

The School continues to plan for budget decreases and the decline in real estate. There is a reserve set aside to continue to fund the necessary programming and staffing planned to see us through the troubled times, while attempting to not affect our students. Purchasing of equipment and supplies will slow, as well as the overuse of miscellaneous resources. Innovative student education and one on one attention will continue. Salary increases are planned for the coming fiscal year related to the positive increase in our student body. Staff is highly motivated and we have happy teachers at the School. We are a team that will work together to see the academic and financial success of the Manatee School of Arts and Sciences, Inc. continue.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

STATEMENT OF NET ASSETS  
June 30, 2010

---

ASSETS	
Current assets	
Cash	\$ 567,723
Due from primary government	44,198
Account receivables	22,709
Prepaid expenses	60,555
	<hr/>
Total current assets	695,185
Noncurrent assets	
Capital assets, net of accumulated depreciation	1,724,457
Other assets	5,769
	<hr/>
TOTAL ASSETS	<u>\$ 2,425,411</u>
LIABILITIES AND NET ASSETS	
Current liabilities	
Current portion of long-term debt	\$ 89,664
Accrued expenses	
Payroll	119,558
Other	4,653
	<hr/>
Total current liabilities	213,875
Noncurrent liabilities	
Long-term debt	638,681
	<hr/>
Total liabilities	852,556
Net assets	
Investment in capital assets, net of related debt	996,112
Unrestricted	576,743
	<hr/>
Total net assets	1,572,855
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 2,425,411</u>

---

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

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2010

	Expenses	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets
Instruction	\$ 850,397	39,290	( 811,107)
Support services			
Pupil personnel services	301	--	( 301)
Board	21,778	--	( 21,778)
General administration	66,063	--	( 66,063)
School administration	256,452	--	( 256,452)
Operation of plant	83,393	--	( 83,393)
Maintenance of plant	46,567	--	( 46,567)
Fundraising	22,366	31,612	9,246
Interest expense	40,443	--	( 40,443)
Amortization expense	1,154	--	( 1,154)
	\$ 1,388,914	70,902	( 1,318,012)
			General revenues
			Local 1,454,712
			Investment income 2,260
			Total general revenues 1,456,972
			Change in net assets 138,960
			Net assets, July 1, 2009 1,433,895
			Net assets, June 30, 2010 \$ 1,572,855

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

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

BALANCE SHEET - GENERAL FUND

June 30, 2010

---

ASSETS	
Cash	\$ 567,723
Due from primary government	44,198
Account receivables	22,709
Prepaid expenses	<u>60,555</u>
TOTAL ASSETS	<u><u>\$ 695,185</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accrued expenses	
Payroll	\$ 119,558
Other	<u>4,653</u>
Total liabilities	124,211
Fund balance	
Undesignated	<u>570,974</u>
Total fund balance	<u>570,974</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 695,185</u></u>

---

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

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

RECONCILIATION OF THE BALANCE SHEET - GENERAL FUND  
TO THE STATEMENT OF NET ASSETS

June 30, 2010

---

Total fund balance per the Balance Sheet - General Fund	\$	570,974
Amounts reported in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, not reported in the General Fund.		1,724,457
Other assets used in governmental activities are not financial resources and, therefore, not reported in the General Fund.		5,769
Long-term debt is not due and payable in the current period and, therefore, not reported in the General Fund.		<u>( 728,345)</u>
Total net assets - Statement of Net Assets	\$	<u><u>1,572,855</u></u>

---

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

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
BUDGET AND ACTUAL OF THE GENERAL FUND

Fiscal Year Ended June 30, 2010

	Budget		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Federal through local	\$ 20,000	20,000	39,290	19,290
State through local	1,392,568	1,429,643	1,454,712	25,069
Fundraising and other	9,500	7,743	9,246	1,503
Investment income	--	--	2,260	2,260
Total revenues	<u>1,422,068</u>	<u>1,457,386</u>	<u>1,505,508</u>	<u>48,122</u>
<b>Expenditures</b>				
Current				
Instruction	809,164	856,282	783,075	73,207
Pupil personnel services	200	200	144	56
Board	48,100	27,100	21,778	5,322
General administration	66,706	68,861	65,271	3,590
School administration	257,383	255,482	250,115	5,367
Operation of plant	93,000	92,300	82,363	9,937
Maintenance of plant	54,425	55,025	43,003	12,022
Capital outlay	--	40,489	45,549	( 5,060)
Debt service				
Principal	68,750	68,750	84,876	( 16,126)
Interest	56,250	56,250	40,443	15,807
Total expenditures	<u>1,453,978</u>	<u>1,520,739</u>	<u>1,416,617</u>	<u>104,122</u>
Net change in fund balance	( 31,910)	( 63,353)	88,891	152,244
Fund balance, July 1, 2009	<u>539,057</u>	<u>526,318</u>	<u>482,083</u>	<u>( 44,235)</u>
Fund balance, June 30, 2010	<u><u>\$ 507,147</u></u>	<u><u>462,965</u></u>	<u><u>570,974</u></u>	<u><u>108,009</u></u>

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

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL OF THE GENERAL FUND  
TO THE STATEMENT OF ACTIVITIES  
Fiscal Year Ended June 30, 2010

---

Net change in fund balance (actual) per the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual of the General Fund	\$	88,891
Amounts reported in the Statement of Activities are different because:		
The General Fund reports capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay expenditures in the current period.	(	33,653)
The General Fund reports loan fees as expenditures. However, in the Statement of Activities, those loan fees represent an asset that can be allocated over the term of the corresponding loan as amortization expense. This is the amortization expense in the current period.	(	1,154)
Principal payments on the mortgage are expenditures in the General Fund, but reduce long-term debt in the Statement of Net Assets.		<u>84,876</u>
Change in net assets - Statement of Activities	\$	<u><u>138,960</u></u>

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

NOTES TO FINANCIAL STATEMENTS

---

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: Manatee School of Arts and Sciences, Inc. (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, 2015, 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. 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 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 dated June 30, 2009. 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 Assets, 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 assets are reported in three parts (as applicable), invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

NOTES TO FINANCIAL STATEMENTS

---

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The net costs, by function, are normally covered by general revenue funding 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 assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements:

The financial transactions of the Charter School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses.

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 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 financial resources except those required to be accounted for in another fund.

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

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

NOTES TO FINANCIAL STATEMENTS

---

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, services, and capital outlay).

Cash: The Charter School's cash consists of demand deposits with a financial institution which are insured by Federal depository insurance. At June 30, 2010, the carrying amount of the Charter School's deposits was \$567,723 and the bank balance was \$591,117 of which \$531,775 was covered by FDIC insurance.

Capital Assets: Capital assets are recorded at cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded at fair market value at the date of donation. The Charter School maintains a capitalization threshold of \$1,000 for fixed asset additions. Capital assets are recorded in the government-wide financial statements, but are not reported in the fund financial statements. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 30 to 40 years for buildings and 5 to 10 years for equipment.

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.

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.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

NOTES TO FINANCIAL STATEMENTS

---

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additional revenues are derived from various fundraising activities (which are presented net of related fundraising expenses of \$22,366), 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 and IDEA funding in the amount of \$4,908 and \$39,290, respectively, was due from the School Board of Manatee County at June 30, 2010.

NOTE C: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2010, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 250,252	--	--	250,252
Total capital assets being depreciated	<u>250,252</u>	<u>--</u>	<u>--</u>	<u>250,252</u>
Capital assets, being depreciated:				
Building	1,878,475	--	--	1,878,475
Furniture, fixtures and equipment	\$ 375,637	45,549	--	421,186
Total capital assets being depreciated	<u>2,254,112</u>	<u>45,549</u>	<u>--</u>	<u>2,299,661</u>
Less accumulated depreciation for:				
Building	( 448,474)	( 46,067)	--	( 494,541)
Furniture, fixtures and equipment	( 297,780)	( 33,135)	--	( 330,915)
Total accumulated depreciation	<u>( 746,254)</u>	<u>( 79,202)</u>	<u>--</u>	<u>( 825,456)</u>
Capital assets, net	<u>\$ 1,758,110</u>	<u>( 33,653)</u>	<u>--</u>	<u>1,724,457</u>

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

NOTES TO FINANCIAL STATEMENTS

---

NOTE C: CAPITAL ASSETS (CONTINUED)

Depreciation expense in the amount of \$79,202 for the year ended June 30, 2010, was allocated to the following governmental functions:

Instruction	\$	67,322
School administration		6,336
Maintenance of plant		3,564
Operation of plant		1,030
General administration		792
Pupil personnel services		158
		\$ 79,202
		\$ 79,202

NOTE D: LONG-TERM DEBT

Debt activity for the year ended June 30, 2010, was as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental activities:</b>					
Mortgage Payable, Phase 1	\$ 653,771	--	( 73,411)	580,360	77,246
Mortgage Payable, Phase 2	159,449	--	( 11,464)	147,985	12,418
	<u>\$ 813,220</u>	<u>--</u>	<u>( 84,875)</u>	<u>728,345</u>	<u>89,664</u>

Phase One: The Charter School entered into a financing arrangement with the City of Bradenton and Bank of America to secure financing for the construction of a new facility. In January 2001, the City of Bradenton issued \$1,100,000 in Industrial Revenue Bonds, Series 2001 (tax-exempt municipal bonds) and sold these bonds to Bank of America. Under a promissory note and mortgage agreement, the City of Bradenton loaned the proceeds of the sale to the Charter School to construct the new facility. The City of Bradenton then assigned its rights under the promissory note and mortgage to Bank of America.

The annual interest rate of the note is 4.75%. Payments of principal and interest are due monthly in the amount of \$8,608. The final maturity date of the note is January 26, 2017. The balance outstanding at year-end is \$580,360.

Phase Two: The Charter School entered into a mortgage agreement with Bank of America, as of July 2003, to secure financing for the construction of Phase 2 of the new facility.

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

NOTES TO FINANCIAL STATEMENTS

---

NOTE D: LONG-TERM DEBT (CONTINUED)

On July 31, 2004, Bank of America and Manatee School of Arts and Sciences agreed to modify the original agreement. The Modification Agreement states that the school will pay one monthly interest payment, beginning July 31, 2004, with interest calculated at one percentage point over the index rate; 179 monthly consecutive principal and interest payments of \$1,835.41, beginning August 31, 2004, with interest calculated on the unpaid principal balances at an interest rate of 6.75% per annum; and one principal and interest payment on July 31, 2019, with interest calculated on the unpaid balance at an interest rate of 6.75% per annum. At year-end the balance for Phase 2 construction is \$147,985.

The principal and interest payments due in the years subsequent to June 30, 2010, are as follows:

	Principal	Interest
2011	\$ 89,664	35,655
2012	94,279	31,040
2013	99,136	26,183
2014	104,248	21,070
2015	109,630	15,689
2016-2019	231,388	17,295
	\$ 728,345	146,932

In connection with the mortgage loans held at Bank of America, the Charter School incurred interest expense in the amount of \$40,443.

NOTE E: SCHEDULE OF REVENUE SOURCES

The following is a schedule of revenue sources and amounts:

Sources	Amounts
School Board of Manatee County	
Discretionary	\$ 1,360,516
Capital outlay funding	94,196
Subtotal	1,454,712
Other grants	39,290
Donations and contributions	114
Fundraising and field trips, net of related	9,132
Investment income	2,260
Total	\$ 1,505,508

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF MANATEE COUNTY

NOTES TO FINANCIAL STATEMENTS

---

NOTE F: 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 G: RETIREMENT PLAN

The School maintains a Tax Sheltered Annuity Retirement Plan 403(b) that covers substantially all employees. Employees may elect to make contributions to the plan pursuant to a salary reduction agreement. The School is currently making matching contributions up to 3% for participating employees who have been employed for at least one year. Participating employees are 100% vested in their respective account balances.

NOTE H: SUBSEQUENT EVENTS

The School has evaluated all subsequent events through September 27, 2010, the date the financial statements were available to be issued, and no material subsequent events had occurred which would have a material impact on the School's financial statements.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors

Manatee School of Arts and Sciences, Inc.

Bradenton, Florida

We have audited the financial statements of Manatee School of Arts and Sciences, Inc. (the School) as of and for the year ended June 30, 2010, and have issued our report thereon dated September 27, 2010. 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, 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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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, 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*.

This report is intended solely for the information and use of the Board of Directors, management and the Auditor General of the State of Florida and is not intended to be and should not be used by anyone other than these specified parties.

*CPA Associates*

Bradenton, Florida  
September 27, 2010

MANATEE SCHOOL OF ARTS AND SCIENCES, INC.  
 A CHARTER SCHOOL AND COMPONENT UNIT OF  
 THE SCHOOL BOARD OF MANATEE COUNTY

---

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Audit Finding	Title/ Program	Brief Description	Status	Comments
2009 Management Letter	Financial Statements	The person responsible for the accounting and reporting function adequately processes, records and summarizes the transactions of the School, but we do not believe this person has the complete skills and knowledge to adequately prepare the required financial statements.	Not Corrected	New guidance under SAS 115 that became effective December 15, 2009, has provided additional guidance on evaluating the severity of identified deficiencies. CPA Associates has re-evaluated the severity of this deficiency under the new standard and it is our opinion that since management has been informed of the deficiency and is willing to accept the control risk, we can downgrade this to an internal control weakness that will no longer be reported in the management letter.
2009 Management Letter	Cash Disbursements	We noted checks that were pre-signed before the processing and review of vendor invoices or other supporting documentation, by the School Administrator/Principal.	Corrected	Procedures have been implemented to clear the weakness and no exceptions were noted during the current audit.



## MANAGEMENT LETTER

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

We have audited the financial statements of Manatee School of Arts and Sciences, Inc. as of and for the year ended June 30, 2010, and have issued our report thereon dated September 27, 2010.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters. Disclosures in this report, which are dated September 27, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- 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. Matters required to be disclosed are reported in the Summary Schedule of Prior Audit Findings.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. In connection with our audit, we did not have any such findings.

- Section 10.854(1)(e)6, 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.
- Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included as to whether or not the school has met one or more of the conditions of a financial emergency as described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Manatee School of Arts and Sciences, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Pursuant to Sections 10.854(1)(e)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor Manatee School of Arts and Sciences, Inc.'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

*CPA Associates*

Bradenton, Florida  
September 27, 2010