

**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, 2011

King & Walker, CPAs, PL

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

Certified Public Accountants

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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, 2011, 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 opinion.

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, 2011, 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 14, 2011, 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 14, 2011
Lutz, Florida

RENAISSANCE ARTS AND EDUCATION, INC.
d/b/a MANATEE SCHOOL FOR THE ARTS
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, 2011.

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 25.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2011, the School’s revenues exceeded expenses as shown on the School’s statement of activities by \$79,507.
- Overall, revenues increased by \$733,519 due primarily to an increase in enrollment of approximately 7 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, 2010, and June 30, 2011:

	Net Assets, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-10</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 1,193,948	\$ 3,520,806	\$ 2,326,858
Noncurrent Assets, Net	11,236,454	13,627,556	2,391,102
Total Assets	<u>12,430,402</u>	<u>17,148,362</u>	<u>4,717,960</u>
LIABILITIES			
Current Liabilities	907,514	1,237,235	329,721
Long Term Liabilities	7,630,213	11,938,945	4,308,732
Total Liabilities	<u>8,537,727</u>	<u>13,176,180</u>	<u>4,638,453</u>
NET ASSETS			
Invested in Capital Assets, Net of Debt	3,606,241	633,783	(2,972,458)
Restricted	-	2,591,249	2,591,249
Unrestricted	286,434	747,150	460,716
Total Net Assets	<u>3,892,675</u>	<u>3,972,182</u>	<u>79,507</u>
Total Liabilities and Net Assets	<u>\$ 12,430,402</u>	<u>\$ 17,148,362</u>	<u>\$ 4,717,960</u>

Current and other assets and noncurrent assets increased due primarily from the issuance of bonds to purchase land and for the construction of a new 3-story classroom building. Long term liabilities increased substantially as a result of the issuance of bonds for construction and facility expansion purposes.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2010, and June 30, 2011, are as follows:

	Operating Results for the Year		
	<u>Governmental Activities</u>		
	<u>6-30-10</u>	<u>6-30-11</u>	<u>Increase (Decrease)</u>
Revenues:			
Federal through Local	\$ 248,507	\$ 418,046	\$ 169,539
State and Local Sources	8,722,210	9,249,929	527,719
Grants, Contributions and Other	409,389	445,650	36,261
Total Revenues	<u>9,380,106</u>	<u>10,113,625</u>	<u>733,519</u>
Expenses:			
Instruction	4,380,199	5,242,286	862,087
Pupil Personnel Services	170,794	26,176	(144,618)
Instructional Media	100,830	204,425	103,595
Instructional Staff Training	752	5,587	4,835
Board of Education	21,500	16,500	(5,000)
School Administration	1,378,575	1,332,096	(46,479)
Facilities Acq. & Construction	62,117	63,764	1,647
Fiscal Services	107,827	130,834	23,007
Food Services	406,209	415,188	8,979
Pupil Transportation	284,646	357,621	72,975
Operation of Plant	751,042	800,355	49,313
Maintenance of Plant	42,548	34,043	(8,505)
Community Service	223,269	192,705	(30,564)
Amortization of Loan Issuance Costs	-	70,962	70,962
Interest and Fiscal Charges	414,110	502,407	88,297
Unallocated Depreciation	494,342	639,169	144,827
Total Expenses	<u>8,838,760</u>	<u>10,034,118</u>	<u>1,195,358</u>
Increase/(Decrease) in Net Assets	<u>\$ 541,346</u>	<u>\$ 79,507</u>	<u>\$ (461,839)</u>

The largest revenue source for the School is the State of Florida (81 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 2010-2011 school year.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

Governmental Funds

As the School completed the year, its general fund reported a total fund balance of \$2,283,571.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2011, 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, 2011, actual expenditures were equal to the final budget. Refer to the Budgetary Comparison Schedule – General Fund for additional reference.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2011, the School had invested \$12,572,728 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:

- Land Purchases - \$453,478
- Construction in Progress - \$1,277,623
- Furniture, Fixtures, and Equipment - \$315,304

During the fiscal year the School purchased additional land contiguous with the current School facilities and began the construction of a 3-story classroom building containing approximately 41,200 square feet of classroom space. The expansion of School facilities continues to be a long term goal as student enrollment continues to grow steadily each school year.

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

Long-Term Debt

At June 30, 2011, the School had \$11,938,945 in long-term debt outstanding, a net increase of \$4,308,732 over last year. The net increase is the result of issuing bonds to refinance previously issued debt and to obtain additional bond proceeds to purchase land and begin the construction of a 3-story classroom building as also discussed under the Capital Assets subheading above. Additional information about the School's long-term debt is presented in Notes 4, 5 and 6 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 2011-12 fiscal year general fund budget:

- Projected enrollment 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.
- Required annual debt principal and interest payments.
- Consideration of the required bond covenant operating reserve.

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, 2011

ASSETS	Governmental Activities
Current Assets:	
Cash & Cash Equivalents	\$ 824,334
Restricted Cash	2,591,249
Due From Other Agencies	40,209
Deposits	65,014
Total Current Assets	3,520,806
Noncurrent Assets:	
Loan Issuance Costs, Net	1,054,828
Capital Assets:	
Land	1,552,728
Construction in Progress	1,277,623
Buildings and Improvements, Net	9,084,140
Furniture, Fixtures and Equipment, Net	658,237
Noncurrent Assets:	13,627,556
TOTAL ASSETS	\$ 17,148,362
LIABILITIES	
Accounts Payable	\$ 301,132
Salary, Wages, & Benefits Payable	803,972
Deferred Revenue	132,131
Long-Term Liabilities:	
Due within one year:	
(Notes and Bonds Payable	313,050
Due after one year:	
Notes and Bonds Payable	11,625,895
TOTAL LIABILITIES	13,176,180
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	633,783
Restricted for:	
Capital Improvements	1,999,299
Operating Reserve	591,950
Unrestricted	747,150
TOTAL NET ASSETS	3,972,182
TOTAL LIABILITIES AND NET ASSETS	\$ 17,148,362

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, 2011

	Expenses	Program Revenues			Net (Expenses)	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes Net Assets Governmental Activities	
Governmental Activities:						
Instruction	\$ 5,242,286	\$ -	\$ 132,130	\$ -	\$ (5,110,156)	\$ (5,110,156)
Pupil Personnel Services	26,176				(26,176)	(26,176)
Instructional Media	204,425				(204,425)	(204,425)
Instructional Staff Training	5,587				(5,587)	(5,587)
Board of Education	16,500				(16,500)	(16,500)
School Administration	1,332,096				(1,332,096)	(1,332,096)
Facilities Acquisition & Construction	63,764				(63,764)	(63,764)
Fiscal Services	130,834				(130,834)	(130,834)
Food Services	415,188	263,356	285,916		134,084	134,084
Pupil Transportation	357,621		389,620		31,999	31,999
Operation of Plant	800,355				(800,355)	(800,355)
Maintenance of Plant	34,043				(34,043)	(34,043)
Community Service	192,705	192,705			-	-
Amortization of Loan Issuance Costs	70,962				(70,962)	(70,962)
Interest and Fiscal Charges	502,407				(502,407)	(502,407)
Unallocated Depreciation	639,169				(639,169)	(639,169)
Total Governmental Activities	\$ 10,034,118	\$ 456,061	\$ 807,666	\$ -	(8,770,391)	(8,770,391)
General Revenues:						
State and Local sources					8,596,953	8,596,953
Investment Income					29,152	29,152
Contributions and Other Revenue					223,793	223,793
Total General Revenues					<u>8,849,898</u>	<u>8,849,898</u>
Change in Net Assets					79,507	79,507
Net Assets - July 1, 2010					<u>3,892,675</u>	<u>3,892,675</u>
Net Assets - June 30, 2011					<u>\$ 3,972,182</u>	<u>\$ 3,972,182</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, 2011

	<u>General Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 824,334
Restricted Cash	2,591,249
Due From Other Agencies	40,209
Deposits	<u>65,014</u>
Total Assets	<u><u>\$ 3,520,806</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 301,132
Salary, Wages, & Benefits Payable	803,972
Deferred Revenue	<u>132,131</u>
Total Liabilities	<u><u>1,237,235</u></u>
Fund Balance:	
Nonspendable	65,014
Spendable:	
Committed For Capital Improvements	1,999,299
Committed For Operating Reserve	591,950
Unassigned	<u>(372,692)</u>
Total Fund Balance	<u><u>2,283,571</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 3,520,806</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**

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

June 30, 2011

Total Fund Balances - Governmental Funds	\$	2,283,571
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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.		12,572,728
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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.		1,054,828
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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	(268,261)	
Bonds Payable	<u>(11,670,684)</u>	<u>(11,938,945)</u>

Total Net Assets - Governmental Activities	\$	<u><u>3,972,182</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, 2011

	<u>General Fund</u>
Revenues	
Intergovernmental:	
Federal Through Local	\$ 418,046
State and Local	9,249,929
Contributions and Other Revenue	445,650
Total Revenues	10,113,625
Expenditures	
Current - Education:	
Instruction	\$ 5,242,286
Pupil Personnel Services	26,176
Instructional Media	204,425
Instructional Staff Training	5,587
Board of Education	16,500
School Administration	1,332,096
Facilities Acquisition & Construction	63,764
Fiscal Services	130,834
Food Services	415,188
Pupil Transportation	357,621
Operation of Plant	800,355
Maintenance of Plant	34,043
Community Service	192,705
Fixed Capital Outlay:	
Facilities Acquisition & Construction	1,731,101
Other Capital Outlay	315,304
Debt Service:	
Principal	225,571
Interest and Fiscal Charges	502,407
Total Expenditures	11,595,963
Excess (Deficiency) of Revenues Over Expenditures	(1,482,338)
Other Financing Sources (Uses):	
Revenue Refunding Bond Proceeds	8,250,000
Capital Improvement Revenue Bond Proceeds	3,500,000
Repayment of Refunded Debt Principal	(7,215,697)
Bond Issuance Costs & Other Charges	(1,054,828)
Total Other Financing Sources (Uses)	3,479,475
Net Change in Fund Balance	1,997,137
Fund Balance, July 1, 2010	286,434
Fund Balance, June 30, 2011	\$ 2,283,571

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, 2011**

Net Change in Fund Balances - Governmental Funds	\$ 1,997,137
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Amounts reported for governmental activities in the statement of activities are different because:

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 (\$2,046,405) in excess of depreciation expense (\$639,169) in the current period.	1,407,236
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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.

	(70,962)
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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 bonds payable proceeds (\$11,750,000) exceeded long-term debt principal repayments and net bond issuance costs (\$8,496,096) in the current period.

	<u>(3,253,904)</u>
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Change in Net Assets - Governmental Activities	<u><u>\$ 79,507</u></u>
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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, 2011**

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, 2011**

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

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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.

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➤ **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

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**NOTES TO FINANCIAL STATEMENTS
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1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2011, the School reported 1,323.01 unweighted FTE and 1,342.12 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.

**RENAISSANCE ARTS AND EDUCATION, INC.,
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➤ **Fund Balance**

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) effective for reporting periods beginning after June 15, 2010. The statement establishes fund balance classifications, provides for a hierarchy of spending constraints for spendable resources and requires disclosure of nonspendable and spendable resources. Nonspendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Spendable resources are to be shown as Restricted, Committed, Assigned, and Unassigned as considered appropriate in the School's circumstances. The School has classified its fund balances with the following hierarchy:

	<u>General Fund</u>
Fund Balance:	
Nonspendable:	
Deposits	\$ 65,014
Spendable:	
Committed:	
Capital Improvements	1,999,299
Operating Reserve	591,950
Unassigned	(372,692)
Total Fund Balance	<u>\$ 2,283,571</u>

➤ **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.

➤ **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.

RENAISSANCE ARTS AND EDUCATION, INC.,
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3. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 1,099,250	\$ 453,478	\$ -	\$ 1,552,728
Construction in Progress	-	1,277,623		1,277,623
Total Capital Assets Not Being Depreciated	<u>1,099,250</u>	<u>1,731,101</u>	<u>-</u>	<u>2,830,351</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	11,774,638		-	11,774,638
Furniture, Fixtures, and Equipment	2,089,139	315,304	-	2,404,443
Total Capital Assets Being Depreciated	<u>13,863,777</u>	<u>315,304</u>	<u>-</u>	<u>14,179,081</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,263,811)	(426,687)	-	(2,690,498)
Furniture, Fixtures, and Equipment	(1,533,724)	(212,482)	-	(1,746,206)
Total Accumulated Depreciation	<u>(3,797,535)</u>	<u>(639,169)</u>	<u>-</u>	<u>(4,436,704)</u>
Total Capital Assets Being Depreciated, Net	<u>10,066,242</u>	<u>(323,865)</u>	<u>-</u>	<u>9,742,377</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,165,492</u>	<u>\$ 1,407,236</u>	<u>\$ -</u>	<u>\$ 12,572,728</u>

Unallocated depreciation expense for the 2010-11 fiscal year was \$639,169.

4. BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2011, are as follows:

Type of Debt	Amount Outstanding	Interest Rates	Annual Maturity To
Bank Qualified Bonds:			
Regions Bank-Series 2011A	\$ 3,500,000	5.565%	2031
Regions Bank-Series 2011B	8,170,684	5.495%	2031
Notes Payable:			
Wells Fargo Equipment Note	268,261	6.340%	2015
Total Bonds Payable	<u>\$ 11,938,945</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 2011-A: The School entered into a financing arrangement with the City of Palmetto, Florida and Regions Bank for Bonds that have a maximum issuance amount of \$7,000,000. In December 2010, the City of Palmetto issued \$3,500,000 of the authorized Industrial Development Revenue Bonds, Series 2011-A (tax exempt municipal bonds) and sold these bonds to Regions Bank. Under a promissory note and mortgage agreement, the City of Palmetto loaned the proceeds of

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**NOTES TO FINANCIAL STATEMENTS
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the sale to the School to finance the purchase of land and construction of new school facilities to provide expanded school services. The obligations are secured by the new school facilities. The City of Palmetto then assigned its rights under the promissory note and mortgage to Regions Bank. Interest is applied with a forward-swap fixed interest rate at 5.565% which remains in effect until the maturity date. The maturity date of the note is December 30, 2030, and includes a final principal payment of approximately \$1,173,000 on that date.

Bank Qualified Bond Series 2011-B: The School had previously entered into a financing arrangement with the City of Palmetto, Florida and Wachovia Bank. In December 2007, the City of Palmetto issued \$7,600,000 in Industrial Development Refunding Revenue Bonds, Series 2007-A and 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. In December 2010, the City of Palmetto issued \$8,250,000 of authorized Industrial Development Revenue Refunding Bonds, Series 2011-B (tax exempt municipal bonds) and sold these bonds to Regions Bank. Under a promissory note and mortgage agreement, the City of Palmetto loaned the proceeds of the sale to the School to finance the repayment of the Series 2007-A and Series 2007-B bond series. The obligations are secured by the school facilities. The City of Palmetto then assigned its rights under the promissory note and mortgage to Regions Bank. Interest is applied with a forward-swap fixed interest rate, currently at 5.495% which remains in effect until the maturity date. The maturity date of the note is December 30, 2030, and includes a final principal payment of approximately \$1,194,000 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.

Annual requirements to amortize all bonds and notes outstanding as of June 30, 2011, are as follows:

<u>Fiscal Year Ending June</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 976,733	\$ 313,050	\$ 663,683
2013	991,953	349,291	642,662
2014	992,273	370,189	622,084
2015	979,443	379,136	600,307
2016	915,538	333,607	581,931
2017-2021	4,577,300	1,984,710	2,592,590
2022-2026	4,589,707	2,637,411	1,952,296
2027-2031	6,641,990	5,571,551	1,070,439
Total	<u>\$20,664,937</u>	<u>\$11,938,945</u>	<u>\$8,725,992</u>

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5. CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Deductions	Ending Balance	Due in One Year
GOVERNMENTAL ACTIVITIES:					
Notes Payable	\$ 345,342	\$ -	\$ (77,081)	\$ 268,261	\$ 63,839
Bonds Payable	7,284,871	11,750,000	(7,364,187)	11,670,684	249,211
Total Governmental Activities	<u>\$ 7,630,213</u>	<u>\$ 11,750,000</u>	<u>\$ (7,441,268)</u>	<u>\$ 11,938,945</u>	<u>\$ 313,050</u>

6. OPERATING RESERVE

The School has established an Operating Reserve as required and established by the Bond issue documents for the Bond Series 2011-A and 2011-B described in Note 4 to the financial statements. For the fiscal year ended June 30, 2011, the School was required to establish an Operating Reserve of 7 percent of General Fund Expenses. The Operating Reserve amount totals \$591,950 and is reported as Restricted for Operating Reserve on the Statement of Net Assets and as Spendable-Committed for Operating Reserve on the Balance Sheet – Governmental Funds financial statements.

7. 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, 2011, was \$306,111.

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.

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**NOTES TO FINANCIAL STATEMENTS
June 30, 2011**

9. SCHEDULE OF FEDERAL, STATE, & LOCAL REVENUE SOURCES

The following is a schedule of the School's Federal, State, and local revenue for the 2010-11 fiscal year:

Source	Amount
<i>FEDERAL:</i>	
National School Lunch & Breakfast Program	\$ 285,916
Education Jobs Act, Title I grant	132,130
Total Federal Revenue	\$ 418,046
 <i>STATE:</i>	
Florida Education Finance Program	\$ 4,909,584
Categorical Educational Programs:	
Class Size Reduction	1,216,941
Transportation	389,620
Supplementary Academic Instruction	267,248
Instructional Materials	112,550
Reading Allocation	50,196
Lottery Allocation	4,746
Charter School Capital Outlay	692,802
State Fiscal Stabilization Allocation	411,839
ESE Guaranteed Allocation	200,032
Miscellaneous	984
Total State Revenue	8,256,542
 <i>LOCAL:</i>	
Discretionary Millage	730,031
Student Lunches	263,356
Total Local Revenue	993,387
Total State and Local Revenue	\$ 9,249,929

As provided in the charter school contract and Florida Department of Education Rules, the District has charged the School an administrative fee on FEFP revenue for the first 250 FTE which totaled \$80,412, this fee is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

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

10. 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

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grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2011, 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.

11. 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.

12. CONSTRUCTION CONTRACT COMMITMENT

The following is a summary of major construction contract commitments remaining at June 30, 2011:

<u>Description</u>	<u>Project Authorization</u>	<u>Expended Through 6/30/11</u>	<u>Balance Committed</u>
3-Story Classroom Building (Approximately 41,200 Square Feet)	\$4,387,378	\$566,652	\$3,820,726

RENAISSANCE ARTS AND EDUCATION, INC.
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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, 2011

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal Through Local	\$ 250,000	\$ 418,046	\$ 418,046	\$ -
State and Local	9,940,990	9,249,929	9,249,929	-
Contributions and Other Revenue	337,870	445,650	445,650	-
Total Revenues	<u>10,528,860</u>	<u>10,113,625</u>	<u>10,113,625</u>	<u>-</u>
Expenditures:				
Current - Education:				
Instruction	5,127,169	5,242,286	5,242,286	-
Pupil Personnel Services	26,832	26,176	26,176	-
Instructional Media	236,368	204,425	204,425	-
Instructional Staff Training	2,452	5,587	5,587	-
Board of Education	16,500	16,500	16,500	-
School Administration	1,314,304	1,332,096	1,332,096	-
Facilities Acquisition & Construction	40,700	63,764	63,764	-
Fiscal Services	116,432	130,834	130,834	-
Food Services	368,004	415,188	415,188	-
Pupil Transportation	315,000	357,621	357,621	-
Operation of Plant	719,883	800,355	800,355	-
Maintenance of Plant	46,500	34,043	34,043	-
Community Service	175,677	192,705	192,705	-
Fixed Capital Outlay:		-		
Facilities Acquisition & Construction	778,000	1,731,101	1,731,101	-
Other Capital Outlay	164,900	315,304	315,304	-
Debt Service:		-		
Principal	302,147	225,571	225,571	-
Interest and Fiscal Charges	473,336	502,407	502,407	-
Total Expenditures	<u>10,224,204</u>	<u>11,595,963</u>	<u>11,595,963</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>304,656</u>	<u>(1,482,338)</u>	<u>(1,482,338)</u>	<u>-</u>
Other Financing Sources (Uses):				
Revenue Refunding Bond Proceeds		8,250,000	8,250,000	-
Capital Improvement Revenue Bond Proceeds		3,500,000	3,500,000	-
Repayment of Refunded Debt Principal		(7,215,697)	(7,215,697)	-
Bond Issuance Costs & Other Charges		(1,054,828)	(1,054,828)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>3,479,475</u>	<u>3,479,475</u>	<u>-</u>
Net Change in Fund Balance	304,656	1,997,137	1,997,137	-
Fund Balance, July 1, 2010	286,434	286,434	286,434	-
Fund Balance, June 30, 2011	<u>\$ 591,090</u>	<u>\$ 2,283,571</u>	<u>\$ 2,283,571</u>	<u>\$ -</u>

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

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, 2011, 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, 2011, 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 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 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, 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,

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

September 14, 2011
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

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, 2011, and have issued our report thereon dated September 14, 2011.

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 14, 2011. 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. In connection with our audit, we determined that the School met one condition described in Section 218.503(1)(e), Florida Statutes. The School reported a deficit spendable unassigned fund balance amount of \$372,692 as shown on its Balance Sheet - Governmental Funds. The School has sufficient available resources to cover the reported deficit the disposal of which would not impair the ability of the School to carry out its established functions. We applied financial condition assessment procedures pursuant to Rules of the Auditor General Section 10.855(10).

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 14, 2011
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, 2011

The following is the School's response to the item in the Management Letter dated September 14, 2011, as required by Rule 10.857, Rules of the Auditor General:

No response required.