

**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, 2012

King & Walker, CPAs, PL

Certified Public Accountants

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MANATEE SCHOOL FOR THE ARTS

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**Independent Auditor's Report on Basic Financial Statements and
Required Supplementary Information**

To the Board of Directors 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 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, 2012, 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 Manatee School for the Arts as of June 30, 2012, 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 10, 2012, on our consideration of the 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 10, 2012
Tampa, Florida

MANATEE SCHOOL FOR THE ARTS

A charter school and component unit of the District School Board of Manatee County

MANAGEMENT'S DISCUSSION AND ANALYSIS - (Unaudited)

The Management's Discussion and Analysis (MD&A) section of the annual financial report of the Manatee School for the Arts ("School") provides an overview of the School's activities for the fiscal year ended June 30, 2012.

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 26.

FINANCIAL HIGHLIGHTS

- For the fiscal year ended June 30, 2012, the School's expenses exceeded revenues as shown on the School's statement of activities by \$510,448.
- As shown on the statement of net assets, the School reported an Unrestricted Net Asset balance of \$245,611.

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, 2011, and June 30, 2012:

	Net Assets, End of Year		
	<u>Governmental Activities</u>		
	<u>6-30-11</u>	<u>6-30-12</u>	<u>Increase (Decrease)</u>
ASSETS			
Current and Other Assets	\$ 3,520,806	\$ 1,034,330	\$ (2,486,476)
Noncurrent Assets, Net	13,627,556	17,539,762	3,912,206
Total Assets	<u>\$ 17,148,362</u>	<u>\$ 18,574,092</u>	<u>\$ 1,425,730</u>
LIABILITIES			
Current Liabilities	\$ 1,237,235	\$ 903,315	\$ (333,920)
Long Term Liabilities	11,938,945	14,209,043	2,270,098
Total Liabilities	<u>13,176,180</u>	<u>15,112,358</u>	<u>1,936,178</u>
NET ASSETS			
Invested in Capital Assets, Net of Debt	633,783	2,346,853	1,713,070
Restricted	2,591,249	869,270	(1,721,979)
Unrestricted	747,150	245,611	(501,539)
Total Net Assets	<u>3,972,182</u>	<u>3,461,734</u>	<u>(510,448)</u>
Total Liabilities and Net Assets	<u>\$ 17,148,362</u>	<u>\$ 18,574,092</u>	<u>\$ 1,425,730</u>

Current and other assets decreased due primarily from completing the construction of the new 3-story classroom building. Long term liabilities increased substantially as a result of drawing down the remaining bond proceeds to complete the construction.

The key elements of the changes in the School's net assets for the fiscal years ended June 30, 2011, and June 30, 2012, are as follows:

Operating Results for the Year

	Governmental Activities		
	6-30-11	6-30-12	Increase (Decrease)
Revenues:			
Federal Through Local	\$ 418,046	\$ 476,510	\$ 58,464
State and Local Sources	9,249,929	9,190,123	(59,806)
Contributions and Other	445,650	538,582	92,932
Total Revenues	10,113,625	10,205,215	91,590
Expenses:			
Instruction	5,242,286	5,644,940	402,654
Pupil Personnel Services	26,176	28,272	2,096
Instructional Media	204,425	303,302	98,877
Instructional Staff Training	5,587	7,905	2,318
Board of Education	16,500	12,500	(4,000)
School Administration	1,332,096	1,271,544	(60,552)
Facilities Acq. & Construction	63,764	45,258	(18,506)
Fiscal Services	130,834	141,645	10,811
Food Services	415,188	437,915	22,727
Pupil Transportation	357,621	392,779	35,158
Operation of Plant	800,355	797,005	(3,350)
Maintenance of Plant	34,043	41,818	7,775
Community Service	192,705	209,735	17,030
Amortization of Loan Issuance Costs	70,962	70,962	-
Interest and Fiscal Charges	502,407	723,232	220,825
Unallocated Depreciation	639,169	586,851	(52,318)
Total Expenses	10,034,118	10,715,663	681,545
Increase/(Decrease) in Net Assets	\$ 79,507	\$ (510,448)	\$ (589,955)

The largest revenue source for the School is the State of Florida (82%). 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 2011-2012 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 \$131,015.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget for the fiscal year ended June 30, 2012, 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, 2012, 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 year, the School had invested \$17,539,762 in capital assets, including land, buildings and improvements, and furniture, fixtures and equipment, net of accumulated depreciation.

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

- Buildings and Improvements - \$5,421,617
- Furniture, Fixtures, and Equipment - \$416,025

During the fiscal year the School completed construction of the 3-story classroom building that was started in the previous year. The classroom building contains approximately 41,200 square feet of classroom space and provides a significant increase in student stations. 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 2 to the financial statements.

Long-Term Debt

At June 30, 2012, the School had \$14,209,043 in long-term debt outstanding, a net increase of \$2,270,098 over last year. The net increase is primarily the result of drawing down the remaining bond proceeds in order to complete the 3-story classroom building construction as also discussed under the Capital Assets subheading above. Additional information about the School's long-term debt is presented in Notes 3, 4 and 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The School has established itself as a high performing secondary school in Manatee County. Financially, the school is sound. That expectation is predicated on continued funding at the current levels. Significant changes in funding would require review of programming, capital expenditures, and other operating expenditures as considered necessary. Management believes that they have developed a core strength that will maintain the School through most of the normal ebb and flow of public funding. The following economic indicators were taken into account when adopting the 2012-13 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.

**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, 2012

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash & Cash Equivalents	\$ 74,216
Restricted Cash	869,270
Deposits and Prepaid Expenses	90,844
Total Current Assets	<u>1,034,330</u>
Noncurrent Assets:	
Loan Issuance Costs, Net	983,866
Capital Assets:	
Land	1,562,728
Buildings and Improvements, Net	14,119,851
Furniture, Fixtures and Equipment, Net	873,317
Noncurrent Assets:	<u>17,539,762</u>
TOTAL ASSETS	<u><u>\$ 18,574,092</u></u>
LIABILITIES	
Accounts Payable	\$ 70,744
Salary, Wages, & Benefits Payable	832,571
Long-Term Liabilities:	
Due within one year:	
(Notes and Bonds Payable	442,925
Due after one year:	
Notes and Bonds Payable	<u>13,766,118</u>
TOTAL LIABILITIES	<u>15,112,358</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	2,346,853
Restricted for:	
Operating Reserve	869,270
Unrestricted	245,611
TOTAL NET ASSETS	<u>3,461,734</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 18,574,092</u></u>

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

**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, 2012**

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities:						
Instruction	\$ 5,644,940	\$ -	\$ 132,130	\$ -	\$ (5,512,810)	\$ (5,512,810)
Pupil Personnel Services	28,272				(28,272)	(28,272)
Instructional Media	303,302				(303,302)	(303,302)
Instructional Staff Training	7,905				(7,905)	(7,905)
Board of Education	12,500				(12,500)	(12,500)
School Administration	1,271,544				(1,271,544)	(1,271,544)
Facilities Acquisition & Construction	45,258				(45,258)	(45,258)
Fiscal Services	141,645				(141,645)	(141,645)
Food Services	437,915	272,215	344,380		178,680	178,680
Pupil Transportation	392,779		393,380		601	601
Operation of Plant	797,005				(797,005)	(797,005)
Maintenance of Plant	41,818				(41,818)	(41,818)
Community Service	209,735	247,087			37,352	37,352
Amortization of Loan Issuance Costs	70,962				(70,962)	(70,962)
Interest and Fiscal Charges	723,232				(723,232)	(723,232)
Unallocated Depreciation	586,851				(586,851)	(586,851)
Total Governmental Activities	\$ 10,715,663	\$ 519,302	\$ 869,890	\$ -	(9,326,471)	(9,326,471)
 General Revenues:						
State and Local Sources					8,277,441	8,277,441
Investment Income					11,061	11,061
Contributions and Other Revenue					527,521	527,521
Total General Revenues					<u>8,816,023</u>	<u>8,816,023</u>
Change in Net Assets					(510,448)	(510,448)
Net Assets - July 1, 2011					<u>3,972,182</u>	<u>3,972,182</u>
Net Assets - June 30, 2012					<u>\$ 3,461,734</u>	<u>\$ 3,461,734</u>

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

**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, 2012***

	<u>General Fund</u>
ASSETS	
Cash & Cash Equivalents	\$ 74,216
Restricted Cash	869,270
Deposits and Prepaid Expenses	<u>90,844</u>
Total Assets	<u><u>\$ 1,034,330</u></u>
 LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$ 70,744
Salary, Wages, & Benefits Payable	<u>832,571</u>
Total Liabilities	<u>903,315</u>
Fund Balance:	
Nonspendable	90,844
Spendable:	
Committed For Operating Reserve	869,270
Unassigned	<u>(829,099)</u>
Total Fund Balance	<u>131,015</u>
Total Liabilities and Fund Balance	<u><u>\$ 1,034,330</u></u>

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

**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, 2012

Total Fund Balances - Governmental Funds	\$	131,015
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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.		16,555,896
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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.		983,866
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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	(473,941)	
Bonds Payable	<u>(13,735,102)</u>	<u>(14,209,043)</u>

Total Net Assets - Governmental Activities	\$	<u><u>3,461,734</u></u>
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The accompanying notes to financial statements are an integral part of this statement.

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, 2012

	<u>General Fund</u>
Revenues	
Intergovernmental:	
Federal Through Local	\$ 476,510
State and Local	9,190,123
Contributions and Other Revenue	538,582
Total Revenues	10,205,215
Expenditures	
Current - Education:	
Instruction	\$ 5,694,702
Pupil Personnel Services	28,272
Instructional Media	303,302
Instructional Staff Training	7,905
Board of Education	12,500
School Administration	1,271,544
Facilities Acquisition & Construction	45,258
Fiscal Services	141,645
Food Services	437,915
Pupil Transportation	392,779
Operation of Plant	797,005
Maintenance of Plant	41,818
Community Service	209,735
Fixed Capital Outlay:	
Facilities Acquisition & Construction	4,153,994
Other Capital Outlay	416,025
Debt Service:	
Principal	350,380
Interest and Fiscal Charges	723,232
Total Expenditures	15,028,011
Excess (Deficiency) of Revenues Over Expenditures	(4,822,796)
Other Financing Sources (Uses):	
Equipment & Vehicle Notes Payable Proceeds	330,286
Bond Proceeds For Fiscal Charges	49,762
Capital Improvement Revenue Bond Proceeds	2,290,192
Total Other Financing Sources (Uses)	2,670,240
Net Change in Fund Balance	(2,152,556)
Fund Balance, July 1, 2011	2,283,571
Fund Balance, June 30, 2012	\$ 131,015

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

**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, 2012***

Net Change in Fund Balances - Governmental Funds	\$ (2,152,556)
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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 in excess of depreciation expense in the current period.

4,041,030

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.

(79,062)

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 bond & note payable proceeds (\$2,670,240) exceeded long-term debt principal repayments (\$350,380) in the current period.

(2,319,860)

Change in Net Assets - Governmental Activities	\$ <u>(510,448)</u>
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The accompanying notes to the financial statements are an integral part of this statement.

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, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

➤ **Reporting Entity**

Manatee School for the Arts (“School”) is a component unit of the District School Board of Manatee County (“District”). The School is sponsored by its charter-holder Renaissance Arts and Education, Inc., 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.

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, 2012

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 when they become measurable and available. Revenues are considered to be

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, 2012

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.

➤ **Budgets and Budgetary 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 and benefits, purchased services, materials and supplies and capital outlay) within each activity (e.g., instruction, pupil personnel services and school administration). Budgets may be amended by resolution at any Board meeting prior to the date for the annual report.

➤ **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

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, 2012

➤ **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 an 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

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, 2012

1011.62(1)(e)2., Florida Statutes. For the fiscal year ended June 30, 2012, the School reported 1,460.45 unweighted FTE and 1,477.4725 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.

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, 2012

➤ **Net Assets and Fund Balance Classification**

Government-wide financial statements

Net assets are classified and reported in three components:

- Investment in capital assets, net of related debt – consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any borrowings that are attributed to the acquisition or improvement of those assets.
- Restricted net assets – consists of net assets with constraints placed on their use either by external groups such as creditors, contributors, or laws or regulations of other governments.
- Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year end relate to assets that are in nonspendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School’s Board of Governance.
- Assigned – fund balance that is intended to be used by the School’s management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School’s general fund and includes all spendable amounts not contained in the other classifications.

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, 2012

➤ **Order of Fund Balance Spending Policy**

The School's policy is to apply expenditures against nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any remaining fund balance amounts for the non-general funds are to be classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the amount of restricted fund balances for specific purposes exceed the positive fund balance for non-general fund.

➤ **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. CHANGES IN CAPITAL ASSETS

Changes in capital assets are presented in the table below:

	Beginning Balance	Additions	Deletions	Ending Balance
<u>GOVERNMENTAL ACTIVITIES</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 1,552,728	\$ 10,000	\$ -	\$ 1,562,728
Construction in Progress	1,277,623	2,855,883	(4,133,506)	-
Total Capital Assets Not Being Depreciated	<u>2,830,351</u>	<u>2,865,883</u>	<u>(4,133,506)</u>	<u>1,562,728</u>
Capital Assets Being Depreciated:				
Buildings and Improvements	11,774,638	5,421,617	-	17,196,255
Furniture, Fixtures, and Equipment	2,404,443	416,025	-	2,820,468
Total Capital Assets Being Depreciated	<u>14,179,081</u>	<u>5,837,642</u>	<u>-</u>	<u>20,016,723</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(2,690,498)	(312,744)	-	(3,003,242)
Furniture, Fixtures, and Equipment	(1,746,206)	(274,107)	-	(2,020,313)
Total Accumulated Depreciation	<u>(4,436,704)</u>	<u>(586,851)</u>	<u>-</u>	<u>(5,023,555)</u>
Total Capital Assets Being Depreciated, Net	<u>9,742,377</u>	<u>5,250,791</u>	<u>-</u>	<u>14,993,168</u>
Governmental Activities Capital Assets, Net	<u>\$ 12,572,728</u>	<u>\$ 8,116,674</u>	<u>\$ (4,133,506)</u>	<u>\$ 16,555,896</u>

Unallocated depreciation expense for the fiscal year was \$586,851.

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, 2012

3. BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2012, are as follows:

<u>Type of Debt</u>	<u>Amount Outstanding</u>	<u>Interest Rates</u>	<u>Annual Maturity To</u>
Bank Qualified Bonds:			
Regions Bank-Series 2011A	\$ 3,448,992	5.565%	2031
Regions Bank-Series 2011B	7,972,483	5.495%	2031
Regions Bank-Series 2011C	2,313,627	3.100%	2033
Notes Payable:			
Regions Equipment Note	198,580	4.290%	2015
Ally Finance Vehicle Note	31,183	5.850%	2017
Wells Fargo Vehicle Note	39,756	5.690%	2015
Wells Fargo Equipment Note	204,422	6.340%	2015
Total Bonds Payable	<u>\$ 14,209,043</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 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

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, 2012

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.

Bank Qualified Bond Series 2011-C: The School had previously entered into the financing arrangements described above in Bond Series 2011A and 2011B. The proceeds for Bond Series 2011-C were provided through the same arrangements and the proceeds were received during the 2011-2012 fiscal year in order to complete the construction of the three story school building. Interest is applied with a variable interest rate, currently at 3.100% which remains in effect until the next interest review date. The maturity date of the note is June 30, 2033.

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.

Physics, Computer, & Other School Equipment Loan: The School entered into a promissory note arrangement with Regions Equipment Finance, Inc. In August 2011, the School was loaned funds to finance the purchase of physics, computer, and other school equipment to enhance the educational opportunities afforded to students. Payments of \$6,992.44 including principal and interest are due monthly. The maturity date of the note is December 2014.

Vehicle Loans: The School entered into two promissory notes to purchase three motor vehicles to provide transportation. The promissory notes have various provisions and require monthly principal and interest installments. The maturity dates of these notes are July 2015 and October 2016.

Annual requirements to amortize all bonds and notes outstanding as of June 30, 2012, are as follows:

<u>Fiscal Year</u> <u>Ending June</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,170,716	\$ 442,925	\$ 727,791
2014	1,255,400	553,479	701,921
2015	1,201,512	527,849	673,663
2016	1,085,402	434,212	651,190
2017	1,080,959	442,613	638,346
2018-2022	4,434,460	2,152,421	2,282,039
2023-2027	5,366,555	3,234,337	2,132,218
2028-2033	7,574,207	6,421,207	1,153,000
Total	<u>\$23,169,211</u>	<u>\$14,209,043</u>	<u>\$8,960,168</u>

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, 2012

4. 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	\$ 268,261	\$ 330,286	\$ (124,606)	\$ 473,941	\$ 161,640
Bonds Payable	11,670,684	2,290,192	(225,774)	13,735,102	281,285
Total Governmental Activities	<u>\$ 11,938,945</u>	<u>\$ 2,620,478</u>	<u>\$ (350,380)</u>	<u>\$ 14,209,043</u>	<u>\$ 442,925</u>

5. OPERATING RESERVE

The School has established an Operating Reserve as required and established by the Bond issue documents for the Bond Series 2011-A, 2011-B, and 2011-C described in Note 3 to the financial statements. For the fiscal year ended June 30, 2012, the School was required to establish an Operating Reserve of 10 percent of General Fund Expenses. The Operating Reserve amount totals \$869,270 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.

6. RETIREMENT PLAN

The School has an employee savings plan under Section 401(k) of the Internal Revenue code. This plan allows eligible employees to defer a portion of their income on a pretax basis through plan contributions. Employer contributions to the plan are determined annually by the board of Directors. Contributions are directed to individual employee's accounts, and the individual employees allocate contributions and account balances among various available investment choices, therefore, the School has no liability for the administration or payments of benefits of the plan, and accordingly, the present value of the related benefits is not reflected in these financial statements. The School contribution to the plan for the year ended June 30, 2012, was \$322,127.

7. 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.

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, 2012

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

The following is a schedule of the School's Federal, State, and local revenue:

Source	Amount
<i>FEDERAL:</i>	
National School Lunch & Breakfast Program	\$ 344,379
Education Jobs Act, Title I grant	132,131
Total Federal Revenue	\$ 476,510
 <i>STATE:</i>	
Florida Education Finance Program	\$ 5,180,780
Categorical Educational Programs:	
Class Size Reduction	1,337,424
Transportation	393,380
Supplementary Academic Instruction	286,248
Instructional Materials	114,342
Reading Allocation	52,933
Lottery Allocation	4,520
Charter School Capital Outlay	659,682
ESE Guaranteed Allocation	221,955
School Recognition	92,611
Miscellaneous	4,706
Total State Revenue	8,348,581
 <i>LOCAL:</i>	
Discretionary Millage	569,327
Student Lunches	272,215
Total Local Revenue	841,542
Total State and Local Revenue	\$ 9,190,123

The District receives a 2% administrative fee from the School due to High Performing Charter Status Designation earned by the State of Florida Department of Education, for the first 250 FTE which totaled \$28,783, this fee is reflected in the accompanying statement of activities and statement of revenues, expenditures and change in fund balances – governmental funds.

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

9. LEGAL MATTERS

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. The School has one legal action pending. The School's management and legal counsel believe the action will found to be in the School's favor and not result in a significant financial impact to the School's Financial Statements.

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, 2012

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 grants, refunds of any money received may be required and the collectibility of any related receivables at June 30, 2012, 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. SUBSEQUENT EVENTS

Management has evaluated all events subsequent to the balance sheet date and through the report date, which is the date these financial statements were available to be issued. Management determined there are no subsequent events which require disclosure.

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

**REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - (UNAUDITED)
For the Fiscal Year Ended June 30, 2012**

	General Fund			Variance with Final Budget - Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental:				
Federal Through Local	\$ 477,000	\$ 476,510	\$ 476,510	\$ -
State and Local	9,000,000	9,190,123	9,190,123	-
Contributions and Other Revenue	736,000	538,582	538,582	-
Total Revenues	10,213,000	10,205,215	10,205,215	-
Expenditures:				
Current - Education:				
Instruction	5,695,000	5,694,702	5,694,702	-
Pupil Personnel Services	28,000	28,272	28,272	-
Instructional Media	303,500	303,302	303,302	-
Instructional Staff Training	8,000	7,905	7,905	-
Board of Education	12,500	12,500	12,500	-
School Administration	1,272,000	1,271,544	1,271,544	-
Facilities Acquisition & Construction	-	45,258	45,258	-
Fiscal Services	141,700	141,645	141,645	-
Food Services	438,000	437,915	437,915	-
Pupil Transportation	393,000	392,779	392,779	-
Operation of Plant	797,000	797,005	797,005	-
Maintenance of Plant	42,000	41,818	41,818	-
Community Service	210,000	209,735	209,735	-
Fixed Capital Outlay:		-		
Facilities Acquisition & Construction	3,820,726	4,153,994	4,153,994	-
Other Capital Outlay	137,500	416,025	416,025	-
Debt Service:				
Principal	350,000	350,380	350,380	-
Interest and Fiscal Charges	724,000	723,232	723,232	-
Total Expenditures	14,372,926	15,028,011	15,028,011	-
Excess (Deficiency) of Revenues Over Expenditures	(4,159,926)	(4,822,796)	(4,822,796)	-
Other Financing Sources (Uses):				
Equipment & Vehicle Notes Payable Proceeds	-	330,286	330,286	-
Bond Proceeds For Fiscal Charges	-	49,762	49,762	-
Capital Improvement Revenue Bond Proceeds	2,000,000	2,290,192	2,290,192	-
Bond Issuance Costs & Other Charges	-	-	-	-
Total Other Financing Sources (Uses)	2,000,000	2,670,240	2,670,240	-
Net Change in Fund Balance	(2,159,926)	(2,152,556)	(2,152,556)	-
Fund Balance, July 1, 2011	2,283,571	2,283,571	2,283,571	-
Fund Balance, June 30, 2012	\$ 123,645	\$ 131,015	\$ 131,015	\$ -

See Independent Auditor's Report.

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

To the Board of Directors 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 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, 2012, 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, 2012, 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,

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

September 10, 2012
Tampa, Florida

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

To the Board of Directors 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 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, 2012, and have issued our report thereon dated September 10, 2012.

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 10, 2012. 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 and recommendations.

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

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 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,

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

September 10, 2012
Tampa, Florida

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, 2012

The following is the School's response to the item in the Management Letter dated September 10, 2012, as required by Rule 10.857, Rules of the Auditor General:

No response required.