

**ROWLETT MIDDLE ACADEMY
(A CHARTER SCHOOL UNDER
WILLIAM MONROE ROWLETT ACADEMY
FOR ARTS & COMMUNICATION, INC.)**

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

FINANCIAL STATEMENTS

JUNE 30, 2019

ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER WILLIAM MONROE ROWLETT
ACADEMY FOR ARTS & COMMUNICATION, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Rowlett Middle Academy
(a charter school under William Monroe Rowlett Academy for
Arts & Communication, Inc.), a charter school and component
unit of the School District of Manatee County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and aggregate remaining fund information of Rowlett Middle Academy, a charter school under William Monroe Rowlett Academy for Arts & Communication, Inc., (a charter school and component unit of the School District of Manatee County, Florida), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rowlett Middle Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and aggregate remaining fund information of Rowlett Middle Academy as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the accompanying financial statements referred to above present only the financial position of Rowlett Middle Academy at June 30, 2019, and the respective changes in financial position for the year then ended, and is not intended to be a complete presentation of William Monroe Rowlett Academy for Arts & Communication, Inc. These financial statements do not purport to and do not present fairly the financial position of William Monroe Rowlett Academy for Arts & Communication, Inc. as of June 30, 2019 and its changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund, Schedules of the Charter School's Proportionate Share of the Net Pension Liability and Schedules of the Charter School's Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Rowlett Middle Academy's basic financial statements. The other supplemental information on page 37, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2019 on our consideration of Rowlett Middle Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rowlett Middle Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rowlett Middle Academy's internal control over financial reporting and compliance.

Christopher, Smith, Leonard,
Bristow & Stanell, P.A.
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

November 12, 2019
Bradenton, Florida



Rowlett Middle Academy

For the Performing Arts and Communications

400 30th Street Ave W., Bradenton, Florida 34208

rowlettmiddleacademy.org

Phone: (941) 462- 4001

Mr. Jamara Clark, Principal

Shelbi Ericsson, Assistant Principal

MANAGEMENT’S DISCUSSION AND ANALYSIS

As management of Rowlett Middle Academy, a charter school under William Monroe Rowlett Academy for Arts & Communication, Inc., we offer readers of the financial statements this narrative overview and analysis of the financial activities of Rowlett Middle Academy for the fiscal year ended June 30, 2019.

Readers should review this Management’s Discussion and Analysis (MD&A) in addition to the financial statements and the accompanying notes to the financial statements to gain an understanding of Rowlett Middle Academy as an operating entity.

Operating Entity

Rowlett Middle Academy opened as a middle school in Manatee County in the 2017-2018 school year. During 2017, the School District of Manatee County (the “School District”) approved it as a charter school which operates independently from the School District. Rowlett Middle Academy’s charter is held by William Monroe Rowlett Academy for Arts & Communication, Inc. which incorporated as a not-for-profit corporation. This is Rowlett Middle Academy’s second year of operations.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to Rowlett Middle Academy’s financial statements. Rowlett Middle Academy’s basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

Government-wide Financial Statements

The financial statements are designed to provide readers with a broad overview of Rowlett Middle Academy’s finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of Rowlett Middle Academy’s assets plus deferred outflows less deferred inflows and liabilities, with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Rowlett Middle Academy is improving or deteriorating.

The mission of Rowlett Middle Academy is to provide a high quality educational experience that will foster a love of learning, promote creativity and excellence in academics by integrating communication, the arts, and leadership through a framework of 21st century learning.

The Statement of Activities presents information showing how Rowlett Middle Academy's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement from some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of Rowlett Middle Academy that are principally supported by grants and contributions not restricted to specific programs from other functions that are intended to recover a significant portion of their costs through user fees. The governmental activities of Rowlett Middle Academy include various functions as noted in the Statement of Activities; however, the majority of expenses are charged to the instruction, school administration, pupil personnel services, food services, pupil transportation, community services, and operation of plant functions.

The Statement of Net Position presents information on all of the assets, deferred outflows, deferred inflows, and liabilities as of June 30, 2019. A condensed statement of net position is shown below. Total assets consists mainly of cash and capital assets used to provide services to students. The majority of the liabilities include salaries and benefits payable as well as long-term debt as described in Note 3. As of June 30, 2019, Rowlett Middle Academy had a positive net position of \$883,481, which is the difference between total assets and deferred outflows less total liabilities.

Condensed Statements of Net Position

	Governmental Activities		
	2019	2018	Change
Current and other assets	\$ 540,563	\$ 391,504	\$ 149,059
Capital assets	<u>3,152,490</u>	<u>2,866,872</u>	<u>285,618</u>
Total assets	<u>3,693,053</u>	<u>3,258,376</u>	<u>434,677</u>
 Deferred outflows	 <u>52,829</u>	 <u>-0-</u>	 <u>52,829</u>
 Current liabilities	 613,819	 334,803	 279,016
Noncurrent liabilities	<u>2,248,582</u>	<u>2,427,702</u>	<u>(179,120)</u>
Total liabilities	<u>2,862,401</u>	<u>2,762,505</u>	<u>99,896</u>
 Net Position			
Net investment in capital assets	949,216	464,362	484,854
Unrestricted	<u>(65,735)</u>	<u>31,509</u>	<u>(97,244)</u>
Total net position	<u>\$ 883,481</u>	<u>\$ 495,871</u>	<u>\$ 387,610</u>

Current assets is largely made up of cash and accounts receivable from the School District. Currently liabilities include accounts payable and accrued expenses. The accrued expenses also have contributions paid into the Florida Retirement System (FRS) subsequent to June 30, 2019 of approximately \$243,000. Noncurrent liabilities include a mortgage payable and note payable for the purchase of middle school property.

The Statement of Activities presents information showing how Rowlett Middle Academy's net position increased by \$387,610 during the current year. Due to increased enrollment, Rowlett Middle Academy hired additional staff during the year. Revenues are largely a result of state and local revenue based on student allocation and taxes, as well as, revenues from food and community services. A significant portion of expenses are a result of payment of salaries and related benefits to teachers and administrative staff.

Condensed Statements of Activities

	Governmental Activities		
	2019	2018	Change
Revenues			
Program revenues			
Charges for services	\$ 338,368	\$ 219,696	\$ 118,672
General revenues			
Grants and contributions not restricted to specific programs	4,282,908	2,470,522	1,812,386
Contribution from Rowlett Academy	-0-	1,020,409	(1,020,409)
Contribution from Rowlett Family Association	75,000	-0-	75,000
Other revenue	52,746	47,342	5,404
Total general revenues	4,410,654	3,538,273	872,381
Total revenues	4,749,022	3,757,969	991,053
Expenses			
Instruction	2,281,771	1,578,337	703,434
Pupil personnel services	160,414	159,054	1,360
Instructional media services	62,799	75,141	(12,342)
Instructional staff training	381	-0-	381
General administration	58,363	80,100	(21,737)
School administration	573,000	434,044	138,956
Professional services	36,654	25,500	11,154
Food services	226,389	186,021	40,368
Pupil transportation services	167,335	119,890	47,445
Operation of plant	575,444	455,698	119,746
Community services	59,825	68,352	(8,527)
Maintenance of plant	48,580	73,804	(25,224)
Interest	110,457	113,537	(3,080)
Total expenses	4,361,412	3,369,478	991,934
Change in net position	387,610	388,491	(881)
Net Position – Beginning of year	495,871	-0-	495,871
Transfer from Rowlett Academy	-0-	107,380	(107,380)
Net Position – End of year	\$ 883,481	\$ 495,871	\$ 387,610

For Rowlett Middle Academy's second school year, revenues increased by \$991,053. Base funding of enrollment increased by approximately \$917,000 due to additional students. Rowlett Middle Academy also received additional revenue from the referendum millage and a Charter School Block Grant. These increases were offset by a decrease related to a one-time contribution from Rowlett Academy in the prior year of \$1,020,409.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Rowlett Middle Academy, like other state and local government component units, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The individual generic fund type in Rowlett Middle Academy’s financial statements is a governmental fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating Rowlett Middle Academy’s near term financing requirements.

The only governmental fund utilized by Rowlett Middle Academy is the General Fund. The fund balance of the General Fund was in a deficit position of \$67,993 as of June 30, 2019. The General Fund financial statements including reconciliations to the government-wide financial statements can be found on pages 11 through 14 of this report.

Rowlett Middle Academy reports an Agency Fund which is a fiduciary fund type. The fund is custodial in nature (assets equal liabilities) and does not involve the measurement of the results of operations. This fund is used to account for resources of Rowlett Middle Academy’s internal account funds which are used in connection with school, student, class, and club activities. The Agency Fund financial statement can be found on page 15 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 through 29 of this report.

Capital Assets

Below is a schedule of capital assets net of accumulated depreciation as of June 30, 2019.

Capital Assets

	Governmental Activities		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
Land	\$ 454,235	\$ 454,235	\$ -0-
Leasehold improvements	1,864,063	1,943,840	(79,777)
Furniture, fixtures and equipment	<u>834,192</u>	<u>468,797</u>	<u>365,395</u>
Total (net of depreciation)	<u>\$ 3,152,490</u>	<u>\$ 2,866,872</u>	<u>\$ 285,618</u>

See Note 2 to the financial statements for a detail of the capital asset activity for the year.

Debt Administration

In 2017, William Monroe Rowlett Academy for Arts & Communication, Inc. financed property on behalf of Rowlett Middle Academy with a mortgage with a financial institution in the amount of \$2,135,000 and a \$425,000 note payable for capital purchases and building improvements. The amounts outstanding at June 30, 2019 are \$2,049,099 for the mortgage payable and \$141,670 for the note payable. Rowlett Middle Academy also has a capital lease obligation of \$12,505 at June 30, 2019.

Rowlett Middle Academy allows retiring employees to be paid their unused balance of PTO from 0% to 50%, depending on length of service. Additionally, twelve-month employees can be paid up to 160 hours of unused vacation time upon retirement. Rowlett Middle Academy reported a liability in the amount of \$45,308 at June 30, 2019 for accrued compensated absences.

See Note 3 to the financial statements for more details on the long-term liabilities.

General Fund Budget

The Board of Directors closely monitors Rowlett Middle Academy's financial performance relative to the budget on a monthly basis. The Board of Directors makes formal budget amendments to approve changes as they monitor the bottom line for the overall financial effect on Rowlett Middle Academy. The budget was amended during the year. Original budgeted revenues were \$3,997,591 and the final budgeted revenues were \$4,681,105. Original budgeted expenditures were \$4,517,436 and the final budgeted expenditures were \$4,685,799. Revenues exceeded budget by \$67,917 and expenditures exceeded budget by \$193,180. Revenues exceeded budget largely due to the contributions received from the Rowlett Family Association (the Agency Fund of the elementary school). Expenditures exceeded budget largely due to instruction personnel cost being less than budget, offset by capital outlay and debt service costs exceeding the budget.

Economic Factors and Next Year's Budget

The Board has approved an operating budget for the 2019-2020 academic year. The original budget demonstrates that Rowlett Middle Academy will have a budgeted increase in fund balance of \$144,508 after debt service and capital outlay costs.

Requests for Information

This financial report is designed to provide a general overview of the Rowlett Middle Academy's finances for those with an interest in the entity's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rowlett Middle Academy at the William Monroe Rowlett Academy for Arts & Communication, Inc., 400 30th Avenue West, Bradenton, Florida 34205.

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 A CHARTER SCHOOL AND COMPONENT UNIT OF
 THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
 STATEMENT OF NET POSITION
 JUNE 30, 2019**

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current assets	
Cash	\$ 322,201
Accounts and grants receivable	135,803
Accounts receivable – Rowlett Family Association	35,304
Prepaid items	47,255
Total current assets	540,563
Noncurrent assets	
Capital assets, net of accumulated depreciation	3,152,490
Total noncurrent assets	3,152,490
TOTAL ASSETS	\$ 3,693,053
DEFERRED OUTFLOW OF RESOURCES – Pension	\$ 52,829
LIABILITIES	
Current liabilities	
Accounts payable	\$ 34,738
Payable to Rowlett Academy	5,007
Accrued expenses	561,323
Unearned revenue	7,488
Accrued interest	5,263
Total current liabilities	613,819
Noncurrent liabilities	
Due within one year	214,560
Due in more than one year	2,034,022
Total noncurrent liabilities	2,248,582
TOTAL LIABILITIES	\$ 2,862,401
NET POSITION	
Net investment in capital assets	949,216
Unrestricted	(65,735)
TOTAL NET POSITION	\$ 883,481

The accompanying notes are an integral part of these financial statements.

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 A CHARTER SCHOOL AND COMPONENT UNIT OF
 THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019**

		Program Revenues			Net (Expense) Revenue and Change In Net Position Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 2,281,771	\$ -	\$ -	\$ -	\$ (2,281,771)
Pupil personnel services	160,414	6,363	-	-	(154,051)
Instructional media services	62,799	-	-	-	(62,799)
Instructional staff training	381	-	-	-	(381)
General administration	58,363	-	-	-	(58,363)
School administration	573,000	-	-	-	(573,000)
Professional services	36,654	-	-	-	(36,654)
Food services	226,389	229,249	-	-	2,860
Pupil transportation services	167,335	-	-	-	(167,335)
Operation of plant	575,444	-	-	-	(575,444)
Community services	59,825	102,756	-	-	42,931
Maintenance of plant	48,580	-	-	-	(48,580)
Interest expense	110,457	-	-	-	(110,457)
Total Governmental Activities	4,361,412	338,368	-	-	(4,023,044)
General Revenues:					
					4,282,908
					75,000
					52,746
					4,410,654
Change in net position					387,610
Net Position – Beginning of year					495,871
Net Position – End of year					\$ 883,481

The accompanying notes are an integral part of these financial statements.

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 A CHARTER SCHOOL AND COMPONENT UNIT OF
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 BALANCE SHEET – GENERAL FUND
 JUNE 30, 2019**

ASSETS

Cash	\$	322,201
Accounts and grants receivable		135,803
Accounts receivable – Rowlett Family Association		35,304
Prepaid expense		47,255
		47,255
TOTAL ASSETS	\$	540,563

LIABILITIES AND FUND BALANCE

Liabilities:

Accounts payable	\$	34,738
Payable to Rowlett Academy		5,007
Accrued expenses		561,323
Unearned revenue		7,488
		7,488
TOTAL LIABILITIES		608,556

Fund Balance:

Nonspendable:		
Prepaid expense		47,255
Unassigned		(115,248)
		(115,248)
TOTAL FUND BALANCES		(67,993)

TOTAL LIABILITIES AND FUND BALANCE	\$	540,563
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The accompanying notes are an integral part of these financial statements.

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 A CHARTER SCHOOL AND COMPONENT UNIT OF
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 RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND
 TO THE STATEMENT OF NET POSITION
 JUNE 30, 2019**

Fund Balance – General Fund	\$	(67,993)
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the General Fund		3,152,490
Deferred outflows of resources related to pension are not recognized in the governmental funds; however, they are reported in the statement of net position		52,829
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund		
Mortgage payable		(2,049,099)
Note payable		(141,670)
Capital lease obligation		(12,505)
Accrued interest		(5,263)
Compensated absences		(45,308)
		(209,845)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>883,481</u>

The accompanying notes are an integral part of these financial statements.

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 A CHARTER SCHOOL AND COMPONENT UNIT OF
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 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
 BALANCE – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

	GENERAL FUND
REVENUES	
Federal through local	\$ 5,474
State through local	3,750,284
Local	918,264
Contribution from Rowlett Family Association	75,000
Total Revenues	4,749,022
EXPENDITURES	
Current	
Instruction	2,126,709
Pupil personnel services	162,326
Instructional media services	63,482
Instructional staff training	381
General administration	58,363
School administration	540,142
Professional services	36,654
Food services	217,020
Pupil transportation services	167,371
Operation of plant	566,806
Community services	60,013
Maintenance of plant	48,580
Capital outlay	521,439
Debt service	309,693
Total Expenditures	4,878,979
NET CHANGE IN FUND BALANCE	(129,957)
FUND BALANCE – Beginning of year	61,964
FUND BALANCE – End of year	\$ (67,993)

The accompanying notes are an integral part of these financial statements.

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 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCE – GENERAL FUND
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2019**

Net change in fund balance – statement of revenues, expenditures and changes in fund balance – General Fund	\$	(129,957)
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Amounts reported for governmental activities in the statement of activities are different because:

The General Fund reports capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital additions exceeded depreciation expense in the current period.

Capital outlay as capital asset additions	521,439		
Less current depreciation	<u>(235,821)</u>		285,618

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. As no long-term debt was issued, this amount represents principal payments on long-term debt.

Principal payments on long-term debt	199,236
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the General Fund.

Increase in deferred outflows – pension	52,829		
Increase in compensated absences	<u>(20,116)</u>		

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>387,610</u>
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The accompanying notes are an integral part of these financial statements.

ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER
WILLIAM MONROE ROWLETT ACADEMY FOR ARTS & COMMUNICATION, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES – AGENCY FUND
JUNE 30, 2019

	<u>Agency Fund</u>
ASSETS	
Cash	\$ 43,914
TOTAL ASSETS	<u>\$ 43,914</u>
LIABILITIES	
Due to clubs	\$ 43,914
TOTAL LIABILITIES	<u>\$ 43,914</u>

The accompanying notes are an integral part of these financial statements.

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NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Rowlett Middle Academy, a charter school under William Monroe Rowlett Academy for Arts & Communication, Inc., operates as a middle school in Bradenton, Florida and is a component unit of the School District of Manatee County, Florida (the “School District”). The charter for Rowlett Middle Academy is held by William Monroe Rowlett Academy for Arts & Communication, Inc. which is a not-for-profit organized pursuant to the Florida Not-for-Profit Corporation Act, Chapter 617, Florida Statutes, with a governing Board of Directors composed of five members.

The basic financial statements of Rowlett Middle Academy present only the balances, activity and disclosures related to Rowlett Middle Academy. They do not purport to, and do not present the financial position of William Monroe Rowlett Academy for Arts & Communication, Inc. as of June 30, 2019, and its changes in financial position or budgetary comparisons, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Rowlett Middle Academy opened as a middle school in the 2017–18 school year in Manatee County. Rowlett Middle Academy is the second charter school operated under William Monroe Rowlett Academy for Arts & Communication, Inc. The other school is Rowlett Academy which is an elementary school.

The general operating authority of Rowlett Middle Academy is contained in Chapter 1002.33, Florida Statutes. Rowlett Middle Academy operates under a charter of the sponsoring School District, the School District of Manatee County, Florida, which is effective through June 30, 2022. Rowlett Middle Academy is considered a component unit of the School District. Upon dissolution or termination of the charter, all of the property, furnishings and equipment purchased with public funds, in part or in whole, automatically revert to the School District.

Basis of Presentation

The financial statements of Rowlett Middle Academy have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB has issued a codification of governmental accounting and financial reporting standards. This codification and subsequent GASB pronouncements are recognized as GAAP for state and local governments, including Rowlett Middle Academy.

Government-wide and Fund Financial Statements

Rowlett Middle Academy’s financial statements include both government-wide (reporting on Rowlett Middle Academy as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of Rowlett Middle Academy.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Government-wide and Fund Financial Statements – Continued

The government-wide financial statements present governmental activities only. Rowlett Middle Academy has no business-type activities. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

In the government-wide Statement of Net Position, Rowlett Middle Academy recognizes all long-term assets and receivables as well as long-term liabilities and obligations. Rowlett Middle Academy's net position is reported in three parts (as applicable): (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The individual generic fund type in Rowlett Middle Academy's financial statements is a governmental fund. The focus of the governmental fund's measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

The only governmental fund utilized by Rowlett Middle Academy is the General Fund. This fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. The General Fund is the general operating fund of Rowlett Middle Academy and is used to account for all of its financial resources.

Additionally, Rowlett Middle Academy reports an Agency Fund which is a fiduciary fund type. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of the results of operations. This fund is used to account for resources of Rowlett Middle Academy's internal account funds which are used in connection with school, student, class, and club activities.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Agency funds are also reported using the accrual basis of accounting. Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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. For this purpose, the government considers revenues to be available, if they are collected within 60 days of the end of the current period. When grant terms provide that the expenditure of resources is the determining factor for eligibility for federal, state and other grant resources, revenue is recognized at the time the expenditure is made. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Revenues for current operations received from the School District, pursuant to funding provisions included in Rowlett Middle Academy's charter are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by Rowlett Middle Academy.

Cash

Rowlett Middle Academy's cash consists of deposits with financial institutions that are insured by the Federal Depository Insurance Corporation (FDIC) up to \$250,000. At June 30, 2019 the carrying amount of Rowlett Middle Academy's deposits was \$322,201 and the bank balances were \$364,257. At year end, Rowlett Middle Academy had bank balances in excess of FDIC limits of \$114,257. Additionally, at June 30, 2019, the carrying amount of the Agency Fund's deposits was \$43,914 and the bank balances were \$44,394.

Capital Assets

Capital assets, which include land, buildings, construction in progress, and furniture, fixtures and equipment, are reported in the governmental activities column in the government-wide financial statements and are not reported in the fund financial statements. Capital assets are defined by Rowlett Middle Academy as any asset with an initial cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 7 to 15 years for leasehold improvements and 3 to 7 years for furniture, fixtures and equipment.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item qualifies for reporting in this category which is a deferred outflow of pension resources which will be recognized as either pension expense or a reduction of net pension liability in future reporting years. In addition to liabilities, the statement of net position includes a separate section for deferred inflows of resources. This represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Rowlett Middle Academy did not have deferred inflows as of June 30, 2019.

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net position.”

Fund Balance: Generally, fund balance represents the difference between the assets and liabilities under the current financial resources measurement focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which Rowlett Middle Academy is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Fund balances are classified as follows:

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (1) not in spendable form (i.e., items that are not expected to be converted to cash) or (2) legally or contractually required to be maintained intact. Nonspendable fund balance at June 30, 2019 included prepaid expenses of \$47,255.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraint imposed by formal action of the Board of Directors. Only the Board of Directors may modify or rescind the commitment.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by Rowlett Middle Academy’s intent to be used for specific purposes, but are neither restricted nor committed. Currently there is no one employee authorized to assign fund balances. As a result, only the Board of Directors are authorized to make assignments.
- *Unassigned:* Fund balances are reported as unassigned as the residual amount when balances do not meet any of the above criterion. Rowlett Middle Academy reports negative unassigned fund balance as of June 30, 2019 in the amount of \$115,248.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fund Equity – Continued

Net Position: Net position represents the difference between assets plus deferred outflows less liabilities and deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, laws or regulations. Net position not reported as net investment in capital assets and restricted net position, is reported as unrestricted net position.

Flow Assumptions: When both restricted and unrestricted amounts of fund balance/net position are available for use for expenditures/expenses incurred, it is Rowlett Middle Academy’s policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is Rowlett Middle Academy’s policy to first use committed, assigned and then unassigned.

Budgetary Information

An annual budget was adopted for the General Fund on the modified accrual basis of accounting and is used to account for the activity in the General Fund. Appropriations are controlled at the fund level. All annual appropriations lapse at fiscal year end. Expenditures exceeded appropriations in the General Fund in the amount of \$193,180. Revenues in excess of budget in the amount of \$67,917 were used to offset these excess expenditures in addition to fund balance reserves from the prior year.

Revenue Sources

Revenues for current operations are received primarily from the School District, pursuant to the funding provisions included in Rowlett Middle Academy’s charter. In accordance with the funding provisions of the charter and Chapter 1002.33(17), Florida Statutes, Rowlett Middle Academy reports the number of full-time equivalent (FTE) students and related data to the School District. Under the provisions of Chapter 1011.62, Florida Statutes, the School District reports the number of full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for Rowlett Middle Academy is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by Rowlett Middle Academy during the designated full-time equivalent student survey periods.

Rowlett Middle Academy also receives Federal, State and local awards for the enhancement of various educational programs. Awards are generally received based on applications submitted to and approved by the respective granting agencies. Rowlett Middle Academy also receives donations and charges for services related to food services and after-care.

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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) (which includes FRS and HIS) and additions to/deletions from FRS's fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments in the cost-sharing multi-employer plan are reported at fair value (see Note 8).

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – CAPITAL ASSETS

Capital asset activity for fiscal year ended June 30, 2019, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:				
Capital assets not being depreciated				
Land	\$ 454,235	\$ -0-	\$ -0-	\$ 454,235
Total capital assets not being depreciated	<u>454,235</u>	<u>-0-</u>	<u>-0-</u>	<u>454,235</u>
Capital assets being depreciated				
Building and improvements	2,046,147	23,862	-0-	2,070,009
Furniture, fixtures and equipment	<u>525,744</u>	<u>497,577</u>	<u>-0-</u>	<u>1,023,321</u>
Total capital assets being depreciated	<u>2,571,891</u>	<u>521,439</u>	<u>-0-</u>	<u>3,093,330</u>
Less accumulated depreciation				
Building and improvements	102,307	103,639	-0-	205,946
Furniture, fixtures and equipment	<u>56,947</u>	<u>132,182</u>	<u>-0-</u>	<u>189,129</u>
Total accumulated depreciation	<u>159,254</u>	<u>235,821</u>	<u>-0-</u>	<u>395,075</u>
Total capital assets being depreciated, Net	<u>2,412,637</u>	<u>285,618</u>	<u>-0-</u>	<u>2,698,255</u>
Governmental activities capital assets, Net	<u>\$2,866,872</u>	<u>\$ 285,618</u>	<u>\$ -0-</u>	<u>\$ 3,152,490</u>

Depreciation expense in the amount of \$235,821 for the year ended June 30, 2019, was allocated to the following governmental functions:

Instruction	\$ 175,721
School administration	39,596
Food services	11,017
Operation of plant	<u>9,487</u>
	<u>\$ 235,821</u>

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NOTE 3 – LONG-TERM LIABILITIES

During 2017, William Monroe Rowlett Academy for Arts & Communication, Inc. financed the purchase of land and a building for Rowlett Middle Academy with a \$2,135,000 mortgage with a financial institution. The mortgage bears an initial interest rate of 4.5%. Rowlett Middle Academy is required to make equal monthly installments of principal and interest of \$11,867.

On February 16, 2022, the monthly payments and interest will be adjusted to an amount to fully amortize the outstanding principal balance with the final payment due February 16, 2027. Additionally, on February 16, 2022, the interest rate shall be adjusted to a rate equal to the current index, plus 300 basis points. The mortgage is secured with real property and other assets held by William Monroe Rowlett Academy for Arts & Communication, Inc. on behalf of Rowlett Middle Academy.

Future maturities on the mortgage are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 51,356	\$ 91,048	\$ 142,404
2021	53,716	88,689	142,405
2022	54,515	82,762	137,277
2023	53,607	73,415	127,022
2024	56,070	70,952	127,022
2025 – 2027	<u>1,779,835</u>	<u>176,289</u>	<u>1,956,124</u>
	<u>\$ 2,049,099</u>	<u>\$ 583,155</u>	<u>\$ 2,632,254</u>

During 2017, William Monroe Rowlett Academy for Arts & Communication, Inc. entered into a note agreement with a financial institution on behalf of Rowlett Middle Academy for renovations to the building purchased and other start-up costs to prepare for the 2017–18 school year. The note allows draws up to \$425,000 of which \$424,900 was drawn. The note charges interest at the prime rate as identified by the Wall Street Journal (5.50% as of June 30, 2019) plus 1%. The note is secured by the same assets as the mortgage.

Future maturities on the note are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 141,670	\$ 4,958	\$ 146,628
	<u>\$ 141,670</u>	<u>\$ 4,958</u>	<u>\$ 146,628</u>

In the event of default for non-payment of principal or interest on either the mortgage or the note, or both, all outstanding amounts will become due and payable at the bank's discretion. Additionally, the rate of interest on the unpaid principal, at the option of the bank, may be increased to the maximum rate allowed by law, or if none, 25% per annum.

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NOTE 3 – LONG-TERM LIABILITIES – CONTINUED

During 2018, Rowlett Middle Academy entered into a capital lease agreement for the purchase of iPads for student use. The lease bears an interest rate of 3% and requires quarterly payments of \$2,628. The initial cost of the iPads was \$29,390 which incurred accumulated depreciation of \$12,144 through June 30, 2019. The net book value of the iPads at June 30, 2019 is \$17,246.

The present value of the minimum lease payments for the capital lease are as follows:

2020	\$	10,565
2021		<u>2,320</u>
Total minimum lease payments		12,885
Less amount representing interest		<u>(380)</u>
Present value of the minimum lease payments		<u>\$ 12,505</u>

Rowlett Middle Academy allows retiring employees to be paid their unused balance of PTO from 0% to 50%, depending on length of service. Additionally, twelve-month employees can be paid up to 160 hours of unused vacation time upon retirement.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Mortgage payable	\$ 2,096,818	\$ -0-	\$ (47,719)	\$ 2,049,099	\$ 51,356
Note payable	283,330	-0-	(141,660)	141,670	141,670
Capital lease obligation	22,362	-0-	(9,857)	12,505	10,207
Compensated absences	<u>25,192</u>	<u>91,078</u>	<u>(70,962)</u>	<u>45,308</u>	<u>11,327</u>
	<u>\$ 2,427,702</u>	<u>\$ 91,078</u>	<u>\$ (270,198)</u>	<u>\$ 2,248,582</u>	<u>\$ 214,560</u>

NOTE 4 – OPERATING LEASES

Rowlett Middle Academy (Lessor) leases space to several tenants under operating lease agreements. Rowlett Middle Academy facility and its related assets are recognized at a cost of \$2,070,009 and is recorded in the government-wide financial statements, net of accumulated depreciation of \$205,946. Rental income under these lease agreements for the year ended June 30, 2019 totaled \$52,746. The lease agreements do not extend beyond the next fiscal year and future minimum rental payments to be received during the year ended June 30, 2020 is \$7,488.

NOTE 5 – RELATED PARTY TRANSACTIONS

William Monroe Rowlett Academy for Arts & Communication, Inc. operates Rowlett Academy (an elementary school) and Rowlett Middle Academy. As of June 30, 2019, Rowlett Middle Academy owed Rowlett Academy \$5,007.

The Rowlett Family Association (RFA), an Agency Fund of Rowlett Academy, contributed \$75,000 during the year ended June 30, 2019 to the Rowlett Middle Academy. As of June 30, 2019, the RFA owed Rowlett Middle Academy \$35,304.

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NOTE 6 – SCHEDULE OF REVENUE SOURCES

The following is a schedule of revenue sources and amounts:

Federal through local	
IDEA, Part B, Entitlement	\$ 5,474
Subtotal	<u>5,474</u>
State through local	
Base funding of enrollment	2,283,320
ESOL	16,400
Exceptional student education	117,604
Supplemental academic instruction	123,278
Safe schools	26,511
Class size adjustment	434,186
Reading allocation	19,982
Instruction materials	37,597
Transportation	103,731
Digital classroom	10,239
Mental health	6,851
Best and brightest	8,540
Charter school program grant	497,524
Excellent teaching program	63,728
Other	<u>793</u>
Subtotal	<u>3,750,284</u>
Local	
After school care	102,756
Food services	229,249
Charter school block grant	145,796
Referendum millage	361,701
Safety and security grant	9,720
Sales tax block grant	9,085
Rental income	52,746
Interest on investments	387
Other	<u>6,824</u>
Subtotal	<u>918,264</u>
Contribution from Rowlett Family Association	<u>75,000</u>
Total revenues	<u>\$ 4,749,022</u>

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NOTE 7 – RISK MANAGEMENT PROGRAMS

Rowlett Middle Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and injuries to employees for which Rowlett Middle Academy has purchased commercial insurance. Rowlett Middle Academy has not had any reduction in insurance coverage and the amount of claims resulting from these risks has not exceeded insurance coverage for the last three years.

NOTE 8 – RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM

Plan Description

During the year ended June 30, 2019, Rowlett Middle Academy entered into the Florida Retirement System, with buyback of prior service to July 1, 2018. All part-time and full-time permanent employees of Rowlett Middle Academy are provided with pensions through the Florida Retirement System (FRS) which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at <http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

Under this system, there are two defined benefit pension plans: The Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program:

- The Florida Retirement System (FRS) Pension Plan is a cost-sharing, multiple-employer qualified defined benefit pension plan with a Deferred Retirement Option Program (DROP) available for eligible employees. The FRS was established and is administered in accordance with Chapter 121, Florida Statutes.
- The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing, multiple-employer defined benefit pension plan established and administered in accordance with section 112.363, Florida Statutes.

Benefits Provided

The FRS provides retirees a lifetime pension benefit with joint and survivor payment options. Benefits under the FRS are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation.

Plan Provisions

If first employed prior to July 1, 2011: Normal retirement age for “regular” employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

If first employed on or after July 1, 2011: Normal retirement age for “regular” employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years’ earnings.

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NOTE 8 – RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Under the HIS Plan, the benefit is a monthly payment to assist retirees in paying their health insurance costs. Eligible retirees and beneficiaries receive a monthly HIS payment equal to the number of years of service credited at retirement multiplied by \$5. The minimum payment is \$30 and the maximum payment is \$150 per month, pursuant to section 112.363, Florida Statutes. To be eligible to receive a HIS benefit, a retiree must provide proof of eligible health insurance coverage, which can include Medicare.

Contributions Required and Made

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into, which require employees to contribute 3% and employers to contribute based on class. Rowlett Middle Academy's contractually required contribution rate for the year ended June 30, 2019 was 8.26% for regular employees and 14.03% for employees in the DROP program of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from Rowlett Middle Academy were \$52,829 for the year ended June 30, 2019, which equaled required contributions and approximated 2.99% of covered payroll.

The HIS Program is funded by required contributions of 1.66% and is included in the contribution rates noted above.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, Rowlett Middle Academy reported no liability for its proportionate share of the net pension liability which includes both FRS and HIS since the net pension liability is based on the FRS and HIS actuarial valuations prepared as of July 1, 2018 with a measurement date of June 30, 2018 and Rowlett Middle Academy was not a participant in the plans at that time. Rowlett Middle Academy recognized \$52,829 as pension expense during the year ended June 30, 2019.

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NOTE 8 – RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Pension Liabilities, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2019, Rowlett Middle Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Changes in assumptions	-0-	-0-	-0-	-0-
Net difference between projected and actual earnings on pension plan investments	-0-	-0-	-0-	-0-
Changes in proportion and differences between contributions and proportionate share of contributions	-0-	-0-	-0-	-0-
Rowlett Middle Academy contributions subsequent to the June 30, 2018 measurement date	52,829	-0-	-0-	-0-
	<u>\$ 52,829</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

Total deferred outflows were \$52,829 and there were no deferred inflows. \$41,779 (FRS) and \$11,050 (HIS) were reported as deferred outflows of resources related to pensions resulting from Rowlett Middle Academy contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

Actuarial Assumptions

The total pension liability is based on the FRS and HIS actuarial valuations prepared as of July 1, 2018. It was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	7.00 percent, including inflation at 2.60%

Mortality rates were based on the generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018 valuation were based on the results of an actuarial experience study performed in 2014 for the period July 1, 2008 – June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments consists of two building block components: 1) a real (in excess of inflation) return of 4.40%, consistent with the currently articulated real return target in the current Florida State Board of Administration’s investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60% as adopted in October 2018 by the FRS Actuarial Assumptions Conference.

ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER WILLIAM MONROE ROWLETT
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A CHARTER SCHOOL AND COMPONENT UNIT OF
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NOTES TO FINANCIAL STATEMENTS

NOTE 8 – RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Actuarial Assumptions – Continued

The table below shows the assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1%	2.9%
Fixed income	18%	4.4%
Global equity	54%	7.6%
Real estate	11%	6.6%
Private equity	10%	10.7%
Strategic investments	6%	6.0%

Discount Rate

The discount rate used to measure the total FRS pension liability was 7.00%, and the HIS pension liability was 3.87%. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following changes in actuarial assumptions occurred in the 2018 valuation:

- FRS: The discount rate and the long-term expected rate of return was decreased from 7.10% to 7.00%.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

Pension Plan Fiduciary Net Position

Rowlett Middle Academy’s proportion of net position has been determined on the same basis as each Plan. Detailed information about the pension plan’s fiduciary net position is available in the separately issued State of Florida comprehensive annual financial report.

**ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER WILLIAM MONROE ROWLETT
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 NOTES TO FINANCIAL STATEMENTS**

NOTE 8 – RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM – CONTINUED

Aggregate Information for Retirement Plans

	<u>Deferred Outflows</u>	<u>Net Pension Liability</u>	<u>Deferred Inflows</u>
FRS	\$ 41,779	\$ -0-	\$ -0-
HIS	<u>11,050</u>	<u>-0-</u>	<u>-0-</u>
	<u>\$ 52,829</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

NOTE 9 – SUBSEQUENT EVENTS

Rowlett Middle Academy has evaluated all subsequent events through November 12, 2019, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER
WILLIAM MONROE ROWLETT ACADEMY FOR ARTS & COMMUNICATION, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2019**

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
REVENUES				
Federal through local	\$ 515	\$ 134,918	\$ 5,474	\$ (129,444)
State through local	3,281,653	3,750,645	3,750,284	(361)
Local	715,423	795,542	918,264	122,722
Contribution from Rowlett Family Association	-	-	75,000	75,000
Total Revenues	<u>3,997,591</u>	<u>4,681,105</u>	<u>4,749,022</u>	<u>67,917</u>
EXPENDITURES				
Current				
Instruction	2,364,215	2,487,681	2,126,709	360,972
Pupil personnel services	173,133	163,725	162,326	1,399
Instructional media services	77,463	75,144	63,482	11,662
Instructional staff training	-	390	381	9
General administration	102,371	54,100	58,363	(4,263)
School administration	555,759	540,254	540,142	112
Professional services	24,000	36,654	36,654	-
Food services	183,890	222,082	217,020	5,062
Pupil transportation services	105,000	167,233	167,371	(138)
Operation of plant	421,477	566,418	566,806	(388)
Community services	54,128	67,176	60,013	7,163
Maintenance of plant	50,000	48,580	48,580	-
Capital outlay	110,000	146,560	521,439	(374,879)
Debt service	296,000	109,802	309,693	(199,891)
Total Expenditures	<u>4,517,436</u>	<u>4,685,799</u>	<u>4,878,979</u>	<u>(193,180)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(519,845)</u>	<u>(4,694)</u>	<u>(129,957)</u>	<u>(125,263)</u>
NET CHANGE IN FUND BALANCE	(519,845)	(4,694)	(129,957)	(125,263)
FUND BALANCE - Beginning of year	61,964	61,964	61,964	-
Transfer to Rowlett Academy	-	-	-	-
FUND BALANCE - End of year	<u><u>\$ (457,881)</u></u>	<u><u>\$ 57,270</u></u>	<u><u>\$ (67,993)</u></u>	<u><u>\$ (125,263)</u></u>

ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER WILLIAM MONROE ROWLETT
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET

NOTE 1 – BUDGETARY INFORMATION

An annual budget was adopted for the General Fund on the modified accrual basis of accounting (GAAP Basis) and is used to account for the activity in the General Fund. Appropriations are controlled at the fund level. All annual appropriations lapse at fiscal year-end. Expenditures exceeded appropriations in the General Fund in the amount of \$193,180. Revenues in excess of budget in the amount of \$67,917 were used to offset these excess expenditures in addition to fund balance reserves from the prior year.

**ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER
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 A CHARTER SCHOOL AND COMPONENT UNIT OF
 THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
 SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY - FLORIDA RETIREMENT SYSTEM**

FLORIDA RETIREMENT SYSTEM (FRS)
 Last Two Fiscal Years *

	<u>2017</u>	<u>2018</u>
Charter School's proportion of the net pension liability	0.000000000%	0.000000000%
Charter School's proportionate share of the net pension liability	\$ -	\$ -
Charter School's covered payroll	\$ -	\$ -
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%
Plan fiduciary net position as a percentage of total pension liability	83.89%	84.26%

* - Ultimately, this schedule will contain information for the last ten years.

**ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER
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 A CHARTER SCHOOL AND COMPONENT UNIT OF
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 SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE
 NET PENSION LIABILITY – RETIREE HEALTH INSURANCE SUBSIDY**

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
 Last Two Fiscal Years *

	2017	2018
Charter School's proportion of the net pension liability	0.0000000000%	0.0000000000%
Charter School's proportionate share of the net pension liability	\$ -	\$ -
Charter School's covered payroll	\$ -	\$ -
Charter School's proportionate share of the net pension liability as a percentage of its covered payroll	0%	0%
Plan fiduciary net position as a percentage of total pension liability	1.64%	2.15%

* – Ultimately, this schedule will contain information for the last ten years.

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 A CHARTER SCHOOL AND COMPONENT UNIT OF
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 SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS – FLORIDA RETIREMENT SYSTEM**

FLORIDA RETIREMENT SYSTEM (FRS)
 Last Two Fiscal Years *

	2017	2018
Contractually required contribution **	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Charter School's covered payroll	\$ -	\$ -
Contributions as a percentage of covered payroll	0.00%	0.00%

* - Ultimately, this schedule will contain information for the last ten years.

** - Contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

**ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER
 WILLIAM MONROE ROWLETT ACADEMY FOR ARTS & COMMUNICATION, INC.)
 A CHARTER SCHOOL AND COMPONENT UNIT OF
 THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
 SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS - RETIREE HEALTH INSURANCE SUBSIDY**

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (HIS)
 Last Two Fiscal Years *

	2017	2018
Contractually required contribution **	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-
Contribution deficiency (excess)	\$ -	\$ -
Charter School's covered payroll	\$ -	\$ -
Contributions as a percentage of covered payroll	0.00%	0.00%

* - Ultimately, this schedule will contain information for the last ten years.

** - Contributions noted per this schedule are pursuant to the measurement date of the actuarial report.

ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER WILLIAM MONROE ROWLETT
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A CHARTER SCHOOL AND COMPONENT UNIT OF
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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – PENSION

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial assumptions for both defined benefit plans (FRS and HIS) are reviewed annually by the Florida Retirement System Actuarial Assumptions Conference. The FRS Pension Plan has a valuation performed annually. This HIS Program has a valuation performed biennially that is updated for GASB reporting in the year a valuation is not performed. The most recent experience study for the FRS Pension Plan was completed in 2014 for the period July 1, 2008, through June 30, 2013. Because the HIS Program is funded on a pay-as-you-go basis, no experience study has been completed for this program.

The total pension liability for the FRS plan was determined by an actuarial valuation as of July 1, 2018. The total pension liability for the HIS plan was determined by an actuarial valuation as of July 1, 2018. Both plans used the individual entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.00%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.87% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in the 2018 valuation:

- FRS: The discount rate and long-term expected rate of return was decreased from 7.10% to 7.00%.
- HIS: The municipal rate used to determine total pension liability increased from 3.58% to 3.87%.

OTHER SUPPLEMENTAL INFORMATION

**ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER
 WILLIAM MONROE ROWLETT ACADEMY FOR ARTS & COMMUNICATION, INC.)
 A CHARTER SCHOOL AND COMPONENT UNIT OF
 THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUND
 FOR THE YEAR ENDED JUNE 30, 2019**

	<u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
ASSETS				
Cash	\$ -	\$ 120,951	\$ (77,037)	\$ 43,914
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 120,951</u>	<u>\$ (77,037)</u>	<u>\$ 43,914</u>
LIABILITIES				
Due to clubs	\$ -	\$ 120,951	\$ (77,037)	\$ 43,914
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 120,951</u>	<u>\$ (77,037)</u>	<u>\$ 43,914</u>

OTHER AUDITOR'S REPORTS



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 of Rowlett Middle Academy
(a charter school under William Monroe Rowlett Academy for
Arts & Communication, Inc.), a charter school and component
unit of the School District of Manatee County, Florida

We have audited, 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, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Rowlett Middle Academy, a charter school under William Monroe Rowlett Academy for Arts & Communication, Inc. (a charter school and component unit of the School District of Manatee County, Florida), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rowlett Middle Academy's basic financial statements, and have issued our report thereon dated November 12, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rowlett Middle Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rowlett Middle Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Rowlett Middle Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rowlett Middle Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying *Schedule of Findings* as Findings 2019-01 and 2019-02.

Rowlett Middle Academy's Response to Findings

Rowlett Middle Academy's response to the findings identified in our audit is described in the accompanying *Management's Response to Findings*. Rowlett Middle Academy's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Christopher, Smith, Leonard
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD,
BRISTOW & STANELL, P.A.

November 12, 2019
Bradenton, Florida

MANAGEMENT LETTER

To the Board of Directors of Rowlett Middle Academy
(a charter school under William Monroe Rowlett Academy for
Arts & Communication, Inc.), a charter school and component
unit of the School District of Manatee County, Florida

Report on the Financial Statements

We have audited the financial statements of Rowlett Middle Academy, a charter school under William Monroe Rowlett Academy for Arts & Communication, Inc. (a charter school and component unit of the School District of Manatee County, Florida) as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 12, 2019.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and the Schedule of Findings. Disclosures in that report and schedule, which are dated November 12, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Finding 2019-01 is a continuation of Finding 2018-01 from the previous year.

Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires that the name or official title of the entity and the school code assigned by the Florida Department of Education be disclosed in this management letter. The official title of the entity is disclosed in Note 1 of the financial statements. The school code assigned by the Florida Department of Education is 2120.

Financial Condition and Management

Sections 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, requires us to apply appropriate procedures and communicate whether or not Rowlett Middle Academy has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and to identify the specific condition(s) met. In connection with our audit, we determined that Rowlett Middle Academy did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for Rowlett Middle Academy. It is management's responsibility to monitor Rowlett Middle Academy'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 the same. While Rowlett Middle Academy is not in a state of financial emergency, the general fund's fund balance was negative at June 30, 2019. See Finding 2019-03 in the Schedule of Findings.

Section 10.854(1)(e)3., Rules of the Auditor General, requires that we communicate any recommendations to improve financial management. In connection with our audit Findings 2019-01 and 2019-04 in the accompanying Schedule of Findings, discuss the conditions that Rowlett Middle Academy's expenditures exceeded the final approved budgeted amount for the General Fund, and that audit adjustments were necessary to properly state Rowlett Middle Academy's financial statements.

Transparency

Sections 10.854(e)7. and 10.855(13), Rules of the Auditor General, require us to apply appropriate procedures and communicate the results of our determination as to whether Rowlett Middle Academy maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, as reported in Finding 2019-02, we determined that Rowlett Middle Academy did not maintain its 2017-18 audited financial statements on its website as specified in Section 1002.33(9)(p), Florida Statutes.

Additional Matters

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

Purpose of this Letter

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

*Christopher, Smith, Leonard
Bristow & Stanell, P.A.*
CHRISTOPHER, SMITH, LEONARD
BRISTOW & STANELL, P.A.

November 12, 2019
Bradenton, Florida

ROWLETT MIDDLE ACADEMY (A CHARTER SCHOOL UNDER WILLIAM MONROE ROWLETT
ACADEMY FOR ARTS & COMMUNICATION, INC.)
A CHARTER SCHOOL AND COMPONENT UNIT OF
THE SCHOOL DISTRICT OF MANATEE COUNTY, FLORIDA
SCHEDULE OF FINDINGS

2019-01 Budget

Finding 2019-01 is carried forward from Finding 2018-01.

Criteria: In accordance with Florida Statutes, the governing body of Rowlett Middle Academy shall annually adopt and maintain an operating budget. This budget should be a balanced budget whereby there are adequate resources to fund all budgeted appropriations. In addition, expenditures should not exceed appropriations as authorized by the Board.

Condition: Our audit procedures disclosed that the adopted budget did not provide adequate resources to fund all expenditures. As reported in the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund, actual expenditures exceeded final budgeted expenditures in the amount of \$193,180. The excess was funded through revenues in excess of budget and fund balance reserves.

Content/Cause: The final budget was not amended to consider additional expenditures incurred during the year in excess of the budgeted amounts.

Effect: Rowlett Middle Academy reported expenditures in excess of budget of \$193,180.

Recommendation: The fundamental purpose of budgetary control is to develop a financial plan and then maintain operations according to the plan. We recommend that Rowlett Middle Academy amend the budget throughout the year and subsequent to year end, to ensure that expenditures do not exceed appropriations as the budget serves as the Board’s authorization to incur costs.

2019-02 Transparency

Criteria: In accordance with Florida Statute section 1002.33(9)(p), Rowlett Middle Academy shall maintain on their website the School’s annual independent fiscal audit.

Condition: Our audit procedures disclosed that the 2017-18 audited financial statements were not included on Rowlett Middle Academy’s website.

Content/Cause: Rowlett Middle Academy had turnover in the position responsible for ensuring compliance with section 1002.33(9)(p).

Effect: Information about Rowlett Middle Academy’s audited financial statements, its activities, and how public funds are being used is not included on the website and available for public use.

Recommendation: Rowlett Middle Academy should update the website with the 2017-18 audited financial statements. Additionally, Rowlett Middle Academy should update the website with the 2018-19 audited financial statements upon receipt.

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SCHEDULE OF FINDINGS (Continued)

2019-03 General Fund – Fund Balance Deficit

Criteria: In accordance with Florida Statutes and the Rules of the Auditor General, a financial condition assessment was performed as part of our audit.

Condition: In conjunction with our financial condition assessment, it was noted that the general fund's unassigned fund balance was in a deficit position.

Content/Cause: The deficit position was caused by increased personnel costs and capital outlay expenditures.

Effect: Rowlett Middle Academy reported a general fund unassigned deficit fund balance of \$115,248, and total deficit of \$67,993.

Recommendation: Rowlett Academy should monitor expenditures and ensure that fund balance reserves and revenues are sufficient to cover expenditures and the needs of the School.

2019-04 Audit Adjustments

Criteria: Internal controls should ensure that financial statements properly present the financial position and activities of Rowlett Middle Academy in accordance with generally accepted accounting principles. This would include ensuring that all transactions are properly reflected in the financial statements subjected to auditing.

Condition: In conjunction with our audit, various audit adjustments were required in order to properly present the financial statements in accordance with generally accepted accounting principles.

Content/Cause: Audit adjustments were posted to Rowlett Middle Academy's trial balance to record their proportionate share of the Florida Retirement System's pension activity, unearned revenue, depreciation, compensated absences and eliminate the investment in general fixed assets.

Effect: Rowlett Middle Academy did not present financial statements in accordance with generally accepted accounting principles for audit.

Recommendation: We recommend that Rowlett Middle Academy establish internal controls over financial reporting to ensure that all material accounts are reconciled and adjusted prior to the audit in accordance with generally accepted accounting principles.



Rowlett Middle Academy

For the Performing Arts and Communications

400 30th Street Ave W., Bradenton, Florida 34208

rowlettmiddleacademy.org

Phone: (941) 462- 4001

Mr. Jamara Clark, Principal

Shelbi Ericsson, Assistant Principal

Management's Response to Audit Finding 19-01 – Budget

We concur with the Auditor's recommendation that a final budget amendment should be prepared and approved reflecting any changes made during the audit process. The budget was amended three (3) times during the fiscal year with the final amendment reflecting balances as of June 30, 2019, before audit adjustments.

Management's Response to Audit Finding 19-02 – Transparency

We concur with the Auditor's finding. As recommended, the 2017-18 audited financial statements have been posted to the school's website. The 2019-20 approved budget has also been posted to the website, and the 2018-19 audited financial statements will be posted upon receipt.

Management's Response to Audit Finding 19-03 – General Fund - Fund Balance Deficit

We concur with the Auditor's recommendation. The Charter School will review and amend the 2019-20 annual budget to the extent possible to ensure the unassigned fund balance of the general fund is returned to a positive unassigned fund balance.

Management's Response to Audit Finding 19-04 – Audit Adjustments

We concur with the Auditor's finding. We will ensure that all material accounts are reconciled and adjusted prior to audit.

The mission of Rowlett Middle Academy is to provide a high quality educational experience that will foster a love of learning, promote creativity and excellence in academics by integrating communication, the arts, and leadership through a framework of 21st century learning.