

Pinellas Primary Academy Charter School
(A Component Unit of the District School Board of Pinellas County, Florida)

SPECIAL PURPOSE FINANCIAL REPORT

Year Ended June 30, 2014

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FINANCIAL SECTION

LA MANNA HERNANDEZ P.A.
CERTIFIED PUBLIC ACCOUNTANTS

James M. La Manna, CPA
822 62nd Street Circle East, #105
Bradenton, FL 34208
Telephone: (941) 487-3653

D. Mitch Hernandez, CPA
2429 Central Avenue, Suite 203
St. Petersburg, FL 33713
Telephone: (727) 234-0074

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pinellas Primary Academy Charter School
Largo, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Pinellas Primary Academy Charter School (the "School"), a component unit of the District School Board of Pinellas County, Florida, as of June 30, 2014, and the related notes to the financial statements, which collectively comprise the School'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 an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pinellas Primary Academy Charter School as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

The Management's Discussion and Analysis and budgetary comparison schedule for the General Fund 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 on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2014, on our consideration of Pinellas Primary Academy Charter School'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Pinellas Primary Academy Charter School's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "La Manna Hernandez" followed by two initials "AA".

La Manna Hernandez, PA
Certified Public Accountants

St. Petersburg, Florida

September 19, 2014

**PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Our discussion and analysis of the Pinellas Primary Academy Charter School's (the "School") financial performance provides an overview of the School's activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the accompanying financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's financial statements for the year ended June 30, 2014 are presented under GASB 34. The financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents information on all of the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *Statement of Activities* presents information on how the School's net position changed during the most recent fiscal year. All changes in net position are reported as the underlying event giving rise to the change occurs, without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements can be found on pages 6 - 7 of this report.

Fund Financial Statements

A "fund" is a collection of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All the funds of the School are governmental funds. *Government funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Government fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

The School Board adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the School's budget.

The basic governmental fund financial statements can be found on pages 8 - 11 of this report.

PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

Notes to Financial Statements

The notes to the financial statements 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 financial statements can be found on pages 12 – 23 of this report.

Financial Analysis

Over time, net position may serve as a useful indicator of the School's financial position. At the close of the fiscal year, assets exceeded liabilities by \$308,191. \$ (262,069) of net position are invested in capital assets. Conversion to GASB 34 does not allow net position to be represented as "reserved" unless there are external legal restrictions on how they may be used.

The following is a summary of changes in the statement of net position:

	2014	2013
Total assets	<u>\$ 9,905,091</u>	<u>\$ 9,766,957</u>
Total liabilities	<u>\$ 9,596,900</u>	<u>\$ 9,681,577</u>
Net position:		
Invested in capital assets, net of		
accumulated depreciation and related debt	\$ (262,069)	\$ (290,295)
Temporarily restricted	801,010	765,006
Unrestricted	<u>(230,750)</u>	<u>(389,331)</u>
Total net position	<u>308,191</u>	<u>85,380</u>
Total liabilities and net position	<u>\$ 9,905,091</u>	<u>\$ 9,766,957</u>

The following is a summary of changes in the statement of activities:

	2014	2013
Total expenses	\$ 2,553,406	\$ 2,104,633
Less: program revenues	<u>579,161</u>	<u>278,025</u>
Net program expense	1,974,245	1,826,608
General revenues	<u>2,197,056</u>	<u>2,052,127</u>
Change in net position	<u>\$ 222,811</u>	<u>\$ 225,519</u>

Total expenses increased in 2014 by \$448,773 over the prior fiscal year. General revenues increased by approximately \$144,929, due to an increase in FTE non-specific revenues as well as an increase in

**PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

MANAGEMENT DISCUSSION AND ANALYSIS

Year Ended June 30, 2014

interest income. Program revenues also increased by \$301,136, due to an increase in funding from capital grants and contributions in addition to an increase in revenue from other programs and services.

The General Fund is the chief operating fund of the School. At the end of the current fiscal year, the General Fund unassigned fund balance totaled \$187,016 compared to \$21,453 at the end of the previous year. As a measure of liquidity, it may be useful to compare the General Fund unassigned fund balance to General Fund total expenditures. General Fund unassigned fund balance represents 7% of the total expenditures. The total General Fund balance totaled \$233,836 compared to the previous year's total of \$54,372.

Revenues were \$76,534 more than expenses in the General Fund in the current year.

The overall financial position and results of operations for the School remained stable for the fiscal year ended June 30, 2014. The School met its operating budget and all significant educational legal compliance requirements. It is expected that net position will remain stable over the next few years.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to the School Administrator, 2300 South Belcher Road #100, Largo, Florida 33771-4257.

PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

STATEMENT OF NET POSITION
June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u> As Restated
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 484,263	\$ 417,915
Accounts receivable	55,067	11,412
Prepaid expenses	<u>46,820</u>	<u>32,919</u>
Total current assets	586,150	462,246
Capital assets, net of accumulated depreciation	3,425,531	3,418,305
Due from affiliate	5,092,400	5,121,400
Restricted cash	<u>801,010</u>	<u>765,006</u>
Total assets	<u>\$ 9,905,091</u>	<u>\$ 9,766,957</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued expenses	\$ 352,314	\$ 407,874
Note payable, due in less than one year	<u>-</u>	<u>-</u>
Total current liabilities	<u>352,314</u>	<u>407,874</u>
Noncurrent liabilities		
Due to affiliate	464,586	443,703
Note payable, due in more than one year	<u>8,780,000</u>	<u>8,830,000</u>
Total liabilities	<u>9,596,900</u>	<u>9,681,577</u>
NET POSITION		
Invested in capital assets, net of accumulated depreciation and related debt	(262,069)	(290,295)
Temporarily restricted	801,010	765,006
Unrestricted	<u>(230,750)</u>	<u>(389,331)</u>
Total net position	<u>308,191</u>	<u>85,380</u>
Total liabilities and net position	<u>\$ 9,905,091</u>	<u>\$ 9,766,957</u>

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

PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Function/Program	2014					2013
	As Restated					Summarized
	Comparative Information					
	Program Revenues			Net (Expense)		Net Revenue and Changes in Net Assets
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Assets		
Component Unit Activities:						
Instruction	\$ 1,647,775	\$ -	\$ 6,015	\$ (1,407,786)	\$ (1,285,900)	
School administration	287,694	-	-	(287,694)	(338,879)	
Fiscal services	123,021			(123,021)	-	
Operation and maintenance of plant	211,736	-	133,804	(77,932)	(60,334)	
Child care supervision	66,218	162,462	-	96,244	90,107	
Other programs and services	5,548	42,906	-	37,358	22,472	
Debt service	211,414	-	-	(211,414)	(254,074)	
Total Governmental Activities	\$ 2,553,406	\$ 205,368	\$ 6,015	\$ (1,974,245)	(1,826,608)	
General Revenues:						
FTE non-specific revenues				2,194,188	2,052,110	
Interest income				2,868	17	
Total general revenues				2,197,056	2,052,127	
Change in net position				222,811	225,519	
Prior period adjustment					(19,428)	
Net position - beginning				85,380	(120,711)	
Net position - ending				\$ 308,191	\$ 85,380	

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

PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

BALANCE SHEET
June 30, 2013

	2014			2013
	General Fund	Debt Service Fund	Total Governmental Funds	(Summarized Comparative Information)
ASSETS				
Cash and cash equivalents	\$ 484,263	\$ 336,424	\$ 820,687	\$ 417,915
Accounts receivable	55,067	-	55,067	11,412
Prepaid expenses	46,820	-	46,820	32,919
Total Assets	<u>\$ 586,150</u>	<u>\$ 336,424</u>	<u>\$ 922,574</u>	<u>\$ 462,246</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>\$ 568,613</u>	<u>\$ -</u>	<u>\$ 568,613</u>	<u>\$ 407,874</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	46,820	-	46,820	32,919
Restricted:				
Debt service	-	336,424	336,424	
Unassigned	<u>187,016</u>	<u>-</u>	<u>187,016</u>	<u>21,453</u>
Total Fund Balances	<u>233,836</u>	<u>336,424</u>	<u>570,260</u>	<u>54,372</u>
Total Liabilities and Fund Balances	<u>\$ 802,449</u>	<u>\$ 336,424</u>	<u>\$ 1,138,873</u>	<u>\$ 462,246</u>

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

**PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION**

For the Year Ended June 30, 2014

Total Fund Balance - Governmental Funds	\$ 570,260
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, not reported as assets in the governmental funds.	3,425,531
Related debt not reported as liabilities in the government funds, net of amount due from affiliate.	<u>(3,687,600)</u>
Total Net Position of Governmental Activities	<u>\$ 308,191</u>

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

PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

For the Year Ended June 30, 2014

	2014				2013
	General Fund	Capital Projects Fund	Debt Service Fund	Total	(Summarized Comparative Information)
REVENUES AND OTHER ADDITIONS					
Federal, state, and local sources	\$ 2,334,007	\$ 233,974	\$ -	\$ 2,567,981	\$ 2,136,739
Contributions and fund raising	42,906	-	-	42,906	45,535
Interest income	2,868	-	-	2,868	17
Child Care Supervision	162,462	-	-	162,462	145,661
Transfers - internal activities	(364,469)	137,933	226,536	-	-
Total Revenues and Other Additions	2,177,774	371,907	226,536	2,776,217	2,327,952
EXPENDITURES					
Instruction	1,624,193	-	-	1,624,193	1,279,208
School administration	284,818	-	-	284,818	338,879
Fiscal services	123,021			123,021	-
Operation and maintenance of plant	(2,558)	133,804	-	131,246	141,867
Capital asset acquisition (disposal)	-	238,103		238,103	-
Other programs and services	71,766	-	-	71,766	78,617
Debt Service:					
Interest	-	-	211,414	211,414	254,074
Total Expenditures	2,101,240	371,907	211,414	2,684,561	2,092,645
EXCESS (DEFICIENCY) OF REVENUES AND TRANSFERS OVER EXPENDITURES	76,534	-	15,122	91,656	235,307
Prior period adjustment					424,232
Fund Balances - Beginning of Year	157,302	-	321,302	478,604	(180,935)
FUND BALANCES - END OF YEAR	\$ 233,836	\$ -	\$ 336,424	\$ 570,260	\$ 478,604

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

PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2014

Change in Fund Balance - Governmental Funds	\$ 91,656
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital acquisitions as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense in the current period.

Capital asset acquisition	238,103	
Depreciation expense	<u>(106,948)</u>	
		<u>131,155</u>

Change in Net Position of Governmental Activities	<u>\$ 222,811</u>
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The accompanying notes are an integral part of the financial statements.

**PINELLAS PRIMARY ACADEMY CHARTER SCHOOL
A COMPONENT UNIT OF THE DISTRICT SCHOOL BOARD OF PINELLAS COUNTY, FLORIDA**

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

On February 8, 2011, the District School Board of Pinellas County, Florida, (the “School Board”) approved a charter school agreement submitted by Pinellas Preparatory Academy, Inc. (the Parent), for Pinellas Primary Academy Charter School (the “School”). The Parent is organized as a not-for-profit corporation pursuant to Chapter 617, Florida Statutes, the Florida Not for Profit Corporation Act, and Section 228.056, Florida Statutes. The School Board approved the charter effective February 8, 2011 through June 30, 2016. The Parent is a Florida not-for-profit organization that is exempt from state and federal income taxes under Internal Revenue Code Section 501(c)3.

The Florida Department of Education (the “DOE”) has concluded that Florida charter schools are component units of the sponsoring school board. To facilitate accounting and reporting to school boards, charter schools are encouraged to use the governmental reporting model and follow the fund and account structure provided for in the *Financial and Program Cost Accounting and Reporting for Florida Schools* manual issued by the DOE. The School is required by contract with the School Board to use the governmental reporting model and the DOE’s accounting and reporting manual.

The accompanying special purpose financial statements present the financial position and results of operations of the applicable funds controlled by or dependent upon the School. In evaluating the School as a reporting entity, management has addressed all potential component units for which the School may or may not be financially accountable and, as such, are included in the School’s accompanying financial statements. No component units exist which would require inclusion in the School’s special purpose financial statements.

Government-Wide Financial Statements

Government-wide financial statements, which include 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. Depreciation expenses, which can be associated with a specific program or activity, are allocated to the related function, while remaining depreciation expense is reported as unallocated.

Program revenues include charges for services for other programs and services. Revenues that are not classified as program revenues are presented as general revenues, with certain exceptions. General revenues include amounts received from state and local sources.

The effects of inter-fund activities have been eliminated from the government-wide financial statements.