

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, 2017

LA MANNA HERNANDEZ P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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LA MANNA HERNANDEZ P.A.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Pinellas Primary Academy
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 (the "School"), a component unit of the District School Board of Pinellas County, Florida, as of June 30, 2017, 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 as of June 30, 2017, 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 26, 2016, on our consideration of Pinellas Primary 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 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's internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Pinellas Primary Academy's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 26, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

La Manna Hernandez, P.A.

La Manna Hernandez, PA
Certified Public Accountants

St. Petersburg, Florida

September 26, 2017

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, 2017

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, 2017. 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, 2017 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, 2017

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 ó 22 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 \$715,392. \$ (353,499) 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:

	<u>2017</u>	<u>2016</u>
Total assets	<u>\$ 10,033,477</u>	<u>\$ 9,902,158</u>
Total liabilities	<u>\$ 9,318,085</u>	<u>\$ 9,333,488</u>
Net position:		
Invested in capital assets, net of accumulated depreciation and related debt	(353,499)	(416,380)
Temporarily restricted	381,660	369,645
Unrestricted	<u>687,231</u>	<u>615,405</u>
Total net position	<u>715,392</u>	<u>568,670</u>
Total liabilities and net position	<u>\$ 10,033,477</u>	<u>\$ 9,902,158</u>

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

	<u>2017</u>	<u>2016</u>
Total expenses	\$ 2,552,575	\$ 2,575,347
Less: program revenues	<u>354,787</u>	<u>303,312</u>
Net program expense	2,197,788	2,272,035
General revenues	<u>2,344,510</u>	<u>2,312,685</u>
Change in net position	<u>\$ 146,722</u>	<u>\$ 40,650</u>

**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, 2017

Total expenses decreased in 2017 by \$22,772 over the prior fiscal year due to a decrease in professional and technical services. General revenues increased by approximately \$31,825 due to an increase in FTE non-specific revenues. Program revenues increased by \$51,475, due to an increase in funding for capital outlay.

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 \$677,003 compared to \$547,729 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 26% of the total expenditures. The total General Fund balance totaled \$687,231 compared to the previous year's total of \$615,405.

Revenues were \$71,826 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, 2017. 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, 2017 and 2016

	<u>2017</u>	<u>2016</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 720,669	\$ 700,973
Accounts receivable	7,564	-
Prepaid expenses	<u>10,228</u>	<u>67,676</u>
Total current assets	738,461	768,649
Capital assets, net of accumulated depreciation	3,250,101	3,225,020
Due from affiliate	5,136,200	5,028,600
Restricted cash	<u>908,715</u>	<u>879,889</u>
Total assets	<u>\$ 10,033,477</u>	<u>\$ 9,902,158</u>
LIABILITIES		
Current Liabilities		
Accounts payable and accrued expenses	\$ 148,436	\$ 153,244
Note payable, due in less than one year	<u>115,000</u>	<u>90,000</u>
Total current liabilities	<u>263,436</u>	<u>243,244</u>
Noncurrent Liabilities		
Due to affiliate	589,649	510,244
Note payable, due in more than one year	<u>8,465,000</u>	<u>8,580,000</u>
Total liabilities	<u>9,318,085</u>	<u>9,333,488</u>
NET POSITION		
Invested in capital assets, net of accumulated depreciation and related debt	(353,499)	(326,380)
Temporarily restricted	381,660	369,645
Unrestricted	<u>687,231</u>	<u>525,405</u>
Total net position	<u>715,392</u>	<u>568,670</u>
Total liabilities and net position	<u>\$ 10,033,477</u>	<u>\$ 9,902,158</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, 2017
With Comparative Totals for 2016**

<u>Function/Program</u>	<u>2017</u>					<u>2016</u>
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense)</u>	<u>Summarized</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital Grants</u>	<u>Revenue and</u>	<u>Comparative</u>
	<u>Services</u>	<u>Grants and</u>	<u>and</u>	<u>Changes in Net</u>	<u>Information</u>	
		<u>Contributions</u>	<u>Contributions</u>	<u>Assets</u>	<u>Net Revenue</u>	
					<u>and Changes in</u>	
					<u>Net Assets</u>	
Component Unit Activities:						
Instruction	\$ 1,708,236	\$ -	\$ 43,304	\$ -	\$ (1,664,932)	\$ (1,635,431)
School administration	237,555	-	-	-	(237,555)	(284,855)
Fiscal services	12,120	-	-	-	(12,120)	(24,899)
Operation and maintenance of plant	333,811	-	-	91,220	(242,591)	(276,822)
Other programs and services	28,604	220,263	-	-	191,659	220,102
Debt service	232,249	-	-	-	(232,249)	(270,130)
Total Governmental Activities	\$ 2,552,575	\$ 220,263	\$ 43,304	\$ 91,220	(2,197,788)	(2,272,035)
General Revenues:						
FTE non-specific revenues					2,344,156	2,309,637
Interest income					354	3,048
Total general revenues					<u>2,344,510</u>	<u>2,312,685</u>
Change in net position					146,722	40,650
Prior period adjustment						
Net position - beginning					568,670	528,020
Net position - ending					<u>\$ 715,392</u>	<u>\$ 568,670</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**

**BALANCE SHEET
June 30, 2017 and 2016**

	<u>2017</u>			<u>2016</u>
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmenta l Funds</u>	(Summarized Comparative Information)
ASSETS				
Cash and cash equivalents	\$ 720,669	\$ 381,660	\$ 1,102,329	\$ 1,070,618
Accounts receivable	7,564	-	7,564	-
Due from affiliate	97,206	-	97,206	-
Prepaid expenses	10,228	-	10,228	67,676
Total Assets	<u>\$ 835,667</u>	<u>\$ 381,660</u>	<u>\$ 1,217,327</u>	<u>\$ 1,138,294</u>
LIABILITIES				
Accounts payable and accrued expenses	<u>\$ 148,436</u>	<u>\$ -</u>	<u>\$ 148,436</u>	<u>\$ 153,244</u>
FUND BALANCES				
Nonspendable:				
Prepaid expenses	10,228	-	10,228	67,676
Restricted:				
Debt service	-	381,660	381,660	369,645
Unassigned	677,003	-	677,003	547,729
Total Fund Balances	<u>687,231</u>	<u>381,660</u>	<u>1,068,891</u>	<u>985,050</u>
Total Liabilities and Fund Balances	<u>\$ 835,667</u>	<u>\$ 381,660</u>	<u>\$ 1,217,327</u>	<u>\$ 1,138,294</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, 2017

Total Fund Balance - Governmental Funds	\$ 1,068,891
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.	3,250,101
Related debt not reported as liabilities in the government funds, net of amount due from affiliate.	<u>(3,603,600)</u>
Total Net Position of Governmental Activities	<u>\$ 715,392</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, 2017
With Comparative Totals for 2016**

	2017			2016	
	General Fund	Capital Projects Fund	Debt Service Fund	Total	
				(Summarized Comparative Information)	
REVENUES AND OTHER ADDITIONS					
Federal, state, and local sources	\$ 2,478,680	\$ -	\$ -	\$ 2,478,680	\$ 2,360,752
Contributions and fund raising	55,443	-	-	55,443	75,420
Interest income	354	-	-	354	3,048
Other programs and services	164,820	-	-	164,820	176,777
Transfers - internal activities	(561,090)	226,826	334,264	-	-
Total Revenues and Other Additions	2,138,207	226,826	334,264	2,699,297	2,615,997
EXPENDITURES					
Instruction	1,655,589	-	-	1,655,589	1,579,944
School administration	217,089	-	-	217,089	264,337
Fiscal services	12,120	-	-	12,120	24,899
Operation and maintenance of plant	152,979	91,220	-	244,199	237,413
Capital asset acquisition (disposal)	-	135,606	-	135,606	67,436
Other programs and services	28,604	-	-	28,604	32,095
Debt Service:					
Repayment of principal	-	-	90,000	90,000	-
Interest	-	-	232,249	232,249	270,130
Total Expenditures	2,066,381	226,826	322,249	2,615,456	2,476,254
EXCESS OF REVENUES AND TRANSFERS OVER EXPENDITURES	71,826	-	12,015	83,841	139,743
Fund Balances - Beginning of Year	615,405	-	369,645	985,050	845,307
FUND BALANCES - END OF YEAR	\$ 687,231	\$ -	\$ 381,660	\$ 1,068,891	\$ 985,050

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, 2017

Change in Fund Balance - Governmental Funds	\$ 83,841
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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	135,606	
Depreciation expense	<u>(162,725)</u>	
		<u>(27,119)</u>

Change in Net Position of Governmental Activities	<u>\$ 56,722</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, 2017

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. 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.

**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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Fund Financial Statements

Fund financial statements report detailed information about the School in the governmental funds. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is reported in a separate column. Non-major funds are aggregated and reported in a single column. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements. The School reports the following major governmental funds:

General Fund ó to account for all financial resources not required to be accounted for in another fund.

Capital Projects Fund ó to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund ó to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Financial resources that are being accumulated for principal and interest maturing in future years are also reported in the debt service fund.

Basis of Accounting

Basis of Accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are 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 related cash flows. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are 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 School considers revenues to be available if they are collected within sixty days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. The principal exception to this general rule is that expenditures related to compensated absences and long-term debt agreements are recorded only when payment is due. Allocations of cost, such as depreciation, are not recognized in governmental funds. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, and then unrestricted resources as they are needed.

**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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Budgets and Budgetary Accounting

Budgets are prepared and original budgets are adopted annually for the General Fund in accordance with procedures and intervals prescribed by the Board of Directors (the "Board") of the School. During the fiscal year ended June 30, 2017, the Board adopted an annual budget for the General Fund. The school is not required to submit its budget to any regulatory agencies.

Appropriations are controlled at the object level (e.g., salaries, purchased services, and capital outlay) within each activity (e.g., instructional, school administration, and debt service) and may be amended at any Board meeting prior to the due date of the annual financial report. Budgets are prepared using the same modified accrual basis as is used to account for actual transactions.

Budgetary information is integrated into the accounting system and, to facilitate budget control, budget balances are encumbered when purchase orders are issued. Appropriations lapse at year-end and encumbrances outstanding are honored for the subsequent year's appropriations.

Cash and Cash Equivalents

The School considers cash and cash equivalents to consist of cash on hand, demand deposits and savings accounts.

Cash deposits are held by banks qualified as public depositories under Florida law. All deposits are insured by Federal depository insurance and/or collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes.

Accounts Receivable

The School believes that all receivable balances are fully collectible.

Capital Assets

Capital assets consist of furniture, fixtures and equipment. Capital assets purchased in the governmental funds are recorded as expenditures at the time of purchase. The School defines capital assets as those assets costing more than \$750 individually or in the aggregate. Such assets are recorded at historical cost. Donated assets are recorded at fair market value at the date received. Capital assets are depreciated using the straight-line method over the estimated useful lives of the various classes of depreciable assets, which range from 3 to 15 years.

Current-year information relative to changes in general fixed assets is described in a subsequent note.

Long Term Liabilities

Long-term obligations that will be financed from resources to be received in the future by governmental funds are reported as liabilities in the government-wide statement of net position. In the governmental fund financial statements, bonds and other long-term obligations are not recognized as liabilities until due.

**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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Compensated Absences

It is the School's policy to grant employees leave based upon the number of years of employment with the School. Personal leave may be used as time off or accrued up to the maximum the employee would earn in two years. An employee resigning or retiring with two weeks' notice shall be paid for their credited personal leave up to the maximum allowable rate referred to above. Such leave pay shall be made at the employee's current rate of pay. Employees who terminate prior to completion of six months of continuous service will not be paid for any accrued personal leave time.

In the government-wide financial statements, compensated absences are accrued as liabilities to the extent that it is probable that the benefits will result in termination payments. A liability is reported in the governmental fund financial statements only for the portion of compensated absences expected to be paid using expendable available resources.

Donated Services

A number of volunteers have donated significant amounts of their time to the School's operations. However, they are not reflected on the accompanying financial statements, since they do not meet the requirements of generally accepted accounting principles.

State Sources

The state provides financial assistance to administer certain categorical educational programs. DOE rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical educational programs. There were no carry forward funds as of June 30, 2017.

The DOE generally requires that categorical educational program revenues be accounted for in the General Fund.

The state allocates gross receipt taxes, generally known as Public Education Capital Outlay money, to local school boards on an annual basis. The boards are authorized to expend these funds only upon applying for and receiving an encumbrance authorization from the Department. The School was awarded an allocation of \$91,220 for the year ended June 30, 2017.

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, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

Contributions

Contributions are recognized when the donor makes a promise to give to the School that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

The School reports gifts of fixed assets or materials as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent donor stipulations regarding how long donated assets or assets acquired with restricted contributions must be maintained, the School reports expirations of donor restrictions when donated or acquired assets are placed in service. Contributions are considered to be unrestricted program funds unless specifically restricted by donor.

Use of Estimates

The preparation of the basic financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of asset and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through September 26, 2017, which is the date the financial statements were issued.

Comparative Data

The amounts shown for the year ended June 30, 2016 in the accompanying financial statements are included to provide a basis for comparison with 2017 and present summarized totals only. Accordingly, the 2016 totals are not intended to present all information necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America. Such information should be read in conjunction with the School's audited financial statements for the year ended June 30, 2016, from which the summarized information was derived.

**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, 2017

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Adjustments were made to include capital assets (net of accumulated depreciation) and long-term liabilities on the statement of net position. This resulted in a net difference between ending governmental fund balances and total net position of \$(353,499), as follows:

Ending fund balances	\$ 1,068,891
Capital assets, net	3,250,101
Long-term debt	<u>(3,603,600)</u>
Total net position	<u>\$ 715,392</u>

Adjustments were made to include depreciation and amortization expense and eliminate capital outlay expenditures on the statement of activities. Repayment of long-term liabilities are expenditures in the governmental funds, but reduce long-term liabilities on the statement of net position. This resulted in a net difference between excess expenditures over revenues and transfers and change in net position of \$62,881 as follows:

Changes in fund balance - Governmental Funds	\$ 83,841
----------------------------------------------	-----------

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	135,606
Depreciation expense	<u>(162,725)</u>
	(27,119)
Repayment of long term liabilities is an expenditure in the governmental funds, the repayment reduces long term liabilities on the statement of net position.	<u>90,000</u>
Change in net position	<u>\$ 146,722</u>

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, 2017

NOTE 3 – CAPITAL ASSETS

In 2017, capital assets and related debt were allocated to the School from an affiliate. Management felt the allocations were a better reflection of the School's net position. The following is a summary of changes in capital assets during the fiscal year:

	<u>Balance</u> <u>June 30, 2016</u>	<u>(Decrease)</u> <u>Increase</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets being depreciated/amortized:			
Building	\$ 6,762,889	\$ -	\$ 6,762,889
Improvements	388,418	47,360	435,778
Land	1,093,667	-	1,093,667
Furniture, fixtures, and equipment	377,707	596,223	973,930
Loan costs	<u>383,400</u>	<u>-</u>	<u>383,400</u>
	9,006,081	643,583	9,649,664
Less accumulated depreciation/amortization	(704,063)	(1,302,729)	(2,006,792)
Less amount allocated to affiliate	<u>(5,076,999)</u>	<u>684,228</u>	<u>(4,392,771)</u>
Total capital assets, net	<u>\$ 3,225,019</u>	<u>\$ 25,082</u>	<u>\$ 3,250,101</u>

Depreciation expense was \$162,725 in 2017.

Depreciation was charged to functions as follows:

Instructional	\$ 52,647
School administration	20,466
Plant operations	<u>89,612</u>
	<u>\$ 162,725</u>

NOTE 4 – RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School purchases commercial insurance for all types of claims with nominal deductible amounts. There have been no significant reductions in insurance coverage during fiscal year 2017. Settled claims have not exceeded the commercial excess coverage in any of the past five years.

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, 2017

NOTE 5—FUND BALANCE REPORTING

The School follows GASB Statement No.54, Fund Balance Reporting and Governmental Fund Type Definitions, for fund balance reporting.

The School reports its governmental fund balances in the following categories, as applicable:

- **Nonspendable** ó The net current financial resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. Generally, not in spendable form means that an item is not expected to be converted to cash. Examples of items that are not in spendable form include inventory, prepaid amounts, long-term amounts of loans and notes receivable, and property acquired for resale. The School classifies its amounts reported as prepaid amounts as nonspendable.
- **Restricted** ó The portion of fund balance on which constraints have been placed by creditors, grantors, contributors, laws or regulations of other governments, constitutional provisions, or enabling legislation. Restricted fund balance places the most binding level of constraint on the use of fund balance. The School classifies most of its fund balances other than the General Fund as restricted, as well as unspent State categorical and earmarked educational funding reported in the General Fund, that are legally or otherwise restricted.
- **Committed** ó The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority (i.e., the School's Board of Directors). These amounts cannot be used for any other purpose unless the board of directors removes or changes the specified use by taking the same action it employed to previously commit the amounts. The School did not have any committed fund balances at June 30, 2017.
- **Assigned** ó The portion of fund balance that is intended to be used for specific purposes, but is neither restricted nor committed. Assigned amounts include those that have been set aside for specific purpose by an authorized government body or official, but the constraint imposed does not satisfy the criteria to be classified as restricted or committed. This category includes any remaining positive amounts for governmental funds other than the General Fund, not classified as nonspendable, restricted, or committed.
- **Unassigned** ó The portion of fund balance that is the residual classification for the General Fund. This balance represents amounts that have not been assigned to other funds and have not been restricted, committed, or assigned for specific purposes.

**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, 2017

NOTE 5—FUND BALANCE REPORTING (Continued):

The following is a schedule of fund balances by category as of June 30, 2017:

Total Nonspendable	<u>10,228</u>
Debt service	<u>381,660</u>
Total Restricted	<u>381,660</u>
Unassigned	<u>677,003</u>
Total Ending Fund Balance	<u>\$ 1,068,891</u>

NOTE 6 – BONDS PAYABLE

Series 2011A Bonds On October 13, 2011, the School entered into a Tax Regulatory agreement with the Pinellas County Educational Authority associated with revenue term bonds issued, in the aggregate amount of \$8,670,000. The revenue term bonds were divided into two lots with \$7,905,000 paying 7.125% maturing on September 15, 2041, and \$765,000 paying 6.125% maturing on September 15, 2021. The proceeds were used to finance and refinance the cost of the acquisition and renovation of school facilities, fund a deposit to the debt service reserve fund and pay a portion of bond issuance costs. The bond is to be repaid in accordance with bond debt service schedules. The principal and interest on the note will be paid from net revenue (pledged revenue) of the School's operations. The note is secured by real estate, buildings and improvements, and pledged revenue. In accordance with the bond agreement, a reserve of approximately \$908,000 has been established to provide for debt service as of June 30, 2017.

Following is a schedule of future minimum payment for the years ending June 30,

	Principal	Interest	Total
2018	125,000	597,531	722,531
2019	135,000	589,875	724,875
2020	140,000	581,606	721,606
2021	160,000	573,031	733,031
2022 - 2023	355,000	1,114,350	1,469,350
2024 - 2028	1,140,000	2,538,283	3,678,283
2029 - 2033	1,615,000	2,069,456	3,684,456
2034 - 2038	2,270,000	1,407,188	3,677,188
2039 - 2041	<u>2,525,000</u>	<u>418,237</u>	<u>2,943,237</u>
	<u>\$ 8,465,000</u>	<u>\$ 9,889,557</u>	<u>\$ 18,354,557</u>

**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, 2017

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Net assets were temporarily restricted for the following purposes as of June 30, 2017:

Debt Service	<u>\$ 381,660</u>
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NOTE 8 – ECONOMIC DEPENDENCE

For the year ended June 30, 2017, revenues for program services from the School Board represented ninety two percent (92%) of the School's total revenues. The School's ability to continue operating and to provide program services is predicated on the School Board's continued support and funding of its programs. If a significant reduction were to occur, it would have an adverse effect on the School's ability to continue operations.

NOTE 9 – FINANCIALLY INTERRELATED ORGANIZATIONS

Under the definitions provided by Statement of Position (SOP) 94-3, *Reporting of Related Entities by Not-for-Profit Organizations*, the Organization is financially interrelated with Pinellas Primary Academy Charter School. The following disclosures are required in accordance with SOP 94-3:

Interrelated Organizations:	Pinellas Preparatory Academy, Inc. Pinellas Primary Academy Charter School
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Nature of Relationship:	Pinellas Preparatory Academy, Inc. (the Parent) has been awarded charters to operate a middle school and an elementary school by the District School Board of Pinellas County, Florida.
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The Parent coordinates fund raising and shared expenses for Pinellas Preparatory Academy, Inc. and Pinellas Primary Academy Charter School. In addition, the Parent owns the land and improvements that house the educational facilities.

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, 2017

NOTE 9 – FINANCIALLY INTERRELATED ORGANIZATIONS, CONTINUED

Summarized Financial Data: Consolidated Totals for Interrelated Organizations

Assets	<u>\$ 10,386,753</u>
Liabilities	8,904,687
Net Assets:	
Unrestricted	573,351
Temporarily restricted	<u>908,715</u>
	<u>\$ 10,386,753</u>
Revenues and other support	<u>\$ 6,037,812</u>
Expenses	<u>\$ 5,961,090</u>

NOTE 10 – EMPLOYEE BENEFIT PLAN

The School sponsors a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code, covering substantially all employees. Under the plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the plan. The School may agree to make nonelective contributions to their employees' 403(b) plans. There were no nonelective contributions made by the School for the year ended June 30, 2017.

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

**BUDGETARY COMPARISON SCHEDULE
GOVERNMENTAL FUNDS**

For the Year Ended June 30, 2017

	General Fund Budget		Actual by Government Fund			
	Budgeted Amounts		Total All Funds	General Fund	Capital Projects	Debt Service
	Original	Final			Fund	Fund
REVENUES						
Federal, state, and local sources	\$ 2,281,640	\$ 2,244,390	\$ 2,387,460	\$ 1,917,590	\$ 135,606	\$ 334,264
Capital outlay funding	41,000	91,000	91,220	-	91,220	-
Other income	234,500	239,254	220,617	220,617	-	-
TOTAL REVENUES	2,557,140	2,574,644	2,699,297	2,138,207	226,826	334,264
EXPENDITURES						
Instruction	1,539,494	1,542,087	1,655,589	1,655,589	-	-
School administration	195,523	196,587	217,089	217,089	-	-
Operation and maintenance of plant	438,158	440,752	244,199	152,979	91,220	-
Fiscal services	8,857	9,057	12,120	12,120	-	-
Capital asset acquisition and other capital outlay	41,000	41,000	135,606	-	135,606	-
Debt service	270,000	270,000	322,249	-	-	322,249
Other programs and services	51,983	52,182	28,604	28,604	-	-
TOTAL EXPENDITURES	2,545,015	2,551,665	2,615,456	2,066,381	226,826	322,249
NET CHANGE IN FUND BLANCE	\$ 12,126	\$ 22,979	\$ 83,841	\$ 71,826	\$ -	\$ 12,015

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

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

We have audited, in accordance with the 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 and each major fund of Pinellas Primary Academy (the "School"), a charter school and component unit of the District School Board of Pinellas County, Florida, as of June 30, 2017, and the related notes to the financial statements which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 Pinellas Primary 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

La Manna Hernandez, PA

La Manna Hernandez P.A.
Certified Public Accountants

St. Petersburg, Florida

September 26, 2017

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INDEPENDENT AUDITORS' MANAGEMENT LETTER

To the Board of Directors and Management
of Pinellas Primary Academy
Largo, Florida

Report on the Financial Statements

We have audited the financial statements of Pinellas Primary Academy (the "School"), a component unit of the District School Board of Pinellas County, Florida, as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated September 26, 2017.

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 in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.850, *Rules of the Auditor General*.

Other Reports and Schedules

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*. Disclosures in that report, which is dated September 26, 2017, should be considered in conjunction with this management letter.

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

Prior Audit Findings

Section 10.854(1)(e)1, *Rules of the Auditor General*, require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)1, *Rules of the Auditor General*, requires the name or official title of the entity. The official title of the entity is Pinellas Primary Academy.

Financial Condition

Section 10.854(1)(e)2, *Rules of the Auditor General*, requires that we report the results of our determination as to whether or not the Pinellas Primary Academy has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Pinellas Primary Academy did not meet any of the conditions as 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 the Pinellas Primary Academy. It is management's responsibility to monitor the Pinellas Primary 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 same.

Transparency

Sections 10.854(1)(e)7. And 10.855(13), *Rules of the Auditor General*, require that we report the results of our determination as to whether the Pinellas Primary Academy maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Pinellas Primary Academy maintained on its website the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

Section 10.854(1)(e)3, *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.854(1)(e)4, *Rules of the Auditor General*, requires that we address 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.

We wish to thank the Principal and her staff for their support and assistance during our audit.

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, and the Florida Auditor General, and Federal and other granting agencies, the Board of Directors, management, and others within the organization, the District School Board of Pinellas County, and is not intended to be and should not be used by anyone other than these specified parties.

La Manna Hernandez, P.A.

La Manna Hernandez, P.A.
Certified Public Accountants

St. Petersburg, Florida

September 26, 2017