

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Financial Statements
with Independent Auditor's Reports Thereon**

June 30, 2018



McCRADY & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC. MANAGEMENT'S DISCUSSION AND ANALYSIS

Management of Team Success A School of Excellence, Inc. (the "School") offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL AND OTHER HIGHLIGHTS

- ❖ For the fiscal year ended June 30, 2018, the School's revenues exceeded expenses by \$38,601 before the special item of a potential loss of \$266,711.
- ❖ There is a special item of approximately \$267,000 which decreased net position as described in Note 1. The School ended the year with approximately \$707,000 in net position.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. The net position is the difference between the School's total assets and total liabilities. Measuring net position is one way to evaluate the School's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities 2) business-type activities, and 3) component units. The governmental activities include the School's basic services. The business-type activities are those services that the School charges for not directly related to the School's mission. For the year ended June 30, 2018, the School had no business-type activities or component units.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets that can readily be converted into cash flow in and out, and what monies are left at year-end be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The School adopts annual budgets for its general fund and special revenue fund as required by the Florida Statutes. The budgets are legally adopted by management of the School and its Board. Budgetary comparison schedules have been included as part of the required supplementary information. The budgetary comparison schedules show three columns: 1) the original and final budget as adopted by the board, 2) the actual resources, charges and ending balances in the general fund, and 3) the variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information that is essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 16 of this report.

Other Reports

A separate report will be issued to include the information required by the U.S. Office of Management and Budget ("OMB") Uniform Guidance: Schedule of Expenditures of Federal Awards, Independent Auditor's Report on Compliance For Each Major Program and on Internal Controls over Compliance Required by Uniform Guidance and Schedule of Findings and Questioned Costs. In addition, it also includes the Independent Auditor's Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net Position

The School's combined net position as of June 30, 2018 and 2017 are summarized as follows:

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Assets:			
Current assets	\$ 1,077,050	\$ 1,106,127	\$ (29,077)
Capital assets, net	57,686	83,924	(26,238)
Total assets	<u>1,134,736</u>	<u>1,190,051</u>	<u>55,315</u>
Liabilities:			
Current and other liabilities	<u>427,826</u>	<u>255,031</u>	<u>172,795</u>
Total liabilities	<u>427,826</u>	<u>255,031</u>	<u>172,795</u>
Net Position:			
Investment in capital assets, net of related debt	57,686	83,924	(26,238)
Restricted			
Food services	243,062	118,232	124,830
Unrestricted	<u>406,162</u>	<u>732,864</u>	<u>(326,702)</u>
Total net position	<u>\$ 706,910</u>	<u>\$ 935,020</u>	<u>\$ (228,110)</u>

The change in current assets decreased due to current year potential loss. Capital assets decreased due to depreciation expense. Current and other liabilities increased due to an increase in accounts payable. The change in total net position is due to the results of current year operations and the special item.

Change in Net Position

The School's total expenses exceeded revenues by approximately \$228,000 after potential loss fiscal 2018—see table below.

	2018	2017	Change
Revenues:			
Federal sources	\$ 1,191,082	\$ 1,002,661	\$ 188,421
State and local sources	5,401,176	4,198,714	1,202,462
Contributions and other revenues	167,718	150,521	17,197
Total revenues	<u>6,759,976</u>	<u>5,351,896</u>	<u>1,408,080</u>
Expenses:			
Instruction	2,804,029	2,120,749	683,280
Pupil personnel services	302,006	146,607	155,399
Board	23,362	30,608	(7,246)
General administration	87,592	87,919	(327)
School administration	1,987,171	1,476,365	510,806
Food services	514,327	429,579	84,748
Transportation services	24,182	-	24,182
Operation of plant	978,706	663,517	315,189
Total expenses	<u>6,721,375</u>	<u>4,955,344</u>	<u>1,766,031</u>
Special Item			
Potential loss of School funds	266,711	-	266,711
Change in net position	<u>\$ (228,110)</u>	<u>\$ 396,552</u>	<u>\$ (624,662)</u>

State and local sources increased due to an increase in student enrollment. The School's enrollment has increased to 688 students at the end of 2018, as compared to 561 in 2017. The change in instruction, school administration and operation of plant is due to an increase in salaries and related benefits due to the increase in student population.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The focus of School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. Such information is useful in assessing School's financing requirements. Specifically, unrestricted fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund balance of \$649,224.

General and Special Revenue Funds Budgetary Highlights

Budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize changes in funding amounts; 3) changes in appropriations that become necessary to maintain services.

In the general fund, the actual total revenues exceeded budgeted amounts by approximately \$197,000. Expenditures were approximately \$408,000 more than budgeted amounts.

In the special revenue fund, total expenditures exceeded revenues budget amounts by approximately \$(32,756), primarily due to unbudgeted expenses during 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

At the end of fiscal 2018, the School had invested approximately \$58,000, in capital assets, net of accumulated depreciation of approximately \$308,000.

	Governmental Activities		
	2018	2017	Change
Capital assets:			
Furniture, fixtures and equipment	\$ 263,774	\$ 263,774	\$ -
Leasehold improvements	100,488	100,488	-
Vehicles	1,719	1,719	-
Total	365,981	365,981	-
Accumulated depreciation	(308,295)	(282,057)	(26,238)
Capital assets, net	\$ 57,686	\$ 83,924	\$ (26,238)

More detailed information about the School's capital assets is presented in Note 4 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights for the Fiscal Year Ended June 30, 2019

Amounts available for appropriation in the general fund are approximately \$7.05 million, an increase of approximately \$1.99 million from fiscal 2018 actual revenues. The change is due to the anticipated increase in student enrollment.

Budgeted expenditures are expected to increase to approximately \$6.79 million, an increase of approximately \$1.79 million. The change is due primarily to an increase in overall operating expense resulting from the increase in student population.

If these estimates are realized, the School's general fund balance is expected to increase in fiscal 2018.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 202 13th Avenue East, Bradenton, FL 34208



Independent Auditor's Report

To the Board of Directors of Team Success A School of Excellence, Inc.
a Charter School and Component Unit of the District
School Board of Manatee County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Team Success A School of Excellence, Inc. (the "School"), a charter school and component unit of the District School Board of Manatee County, Florida, as of and for the year ended June 30, 2018, 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. 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 revised audit opinion.

In our report dated December 20, 2018, we had a qualified audit opinion that the June 30, 2018 financial statements resulting from recognition of an estimated amount of Special Item associated with the potential misappropriation of assets of an unknown amount as described in Note 2. The School had an internal investigation which resulted in a quantifiable misappropriation amount and restated its June 30, 2018 financial statements to conform with accounting principles generally accepted in the United States of America. Accordingly, our revised opinion on the financial statements, as presented herein, is different from that expressed in our previous opinion dated December 20, 2018 due to management's ability to quantify the amount of loss.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the School, as of June 30, 2018, 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 a Matter

As discussed in Note 2 to the financial statements, the school incurred a loss due to potential misappropriation of funds. An internal investigation and an independent qualified professional conducted specific procedures to quantify the amount of loss with the information known. Due to the nature of these circumstances, there may be additional information after this date that could require a change in the future. Therefore, our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 1 - 6 and 26 - 27 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of the 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 the School's internal control over financial reporting and compliance.

McCrady & Associates, PLLC

Altamonte Springs, Florida
March 26, 2019

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Statement of Net Position

June 30, 2018

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 831,305
Due from other agencies	125,455
Prepaid expenses	120,290
Capital assets:	
Furniture, fixtures, and equipment	263,774
Leasehold improvements	100,488
Vehicles	1,719
Less accumulated depreciation	<u>(308,295)</u>
Total capital assets, net	<u>57,686</u>
Total assets	<u><u>\$ 1,134,736</u></u>
LIABILITIES	
Accounts payable and accrued expenses	<u>\$ 427,826</u>
Total liabilities	<u>427,826</u>
NET POSITION	
Invested in capital assets, net of related debt	57,686
Restricted	
Food services	243,062
Unrestricted	<u>406,162</u>
Total net position	<u><u>\$ 706,910</u></u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Statement of Activities

For the Year Ended June 30, 2018

	Program Specific Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Expenses					
Governmental Activities:					
Instruction	\$ 2,804,029	\$ -	\$ 557,144	\$ -	\$ (2,246,885)
Pupil personnel services	302,006	-	-	-	(302,006)
Board	23,362	-	-	-	(23,362)
General administration	87,592	-	-	-	(87,592)
School administration	1,987,171	-	-	-	(1,987,171)
Food services	514,327	-	633,938	-	119,611
Transportation services	24,182	-	-	-	(24,182)
Operation of plant	978,706	-	-	513,906	(464,800)
Total primary government	<u>\$ 6,721,375</u>	<u>\$ -</u>	<u>\$ 1,191,082</u>	<u>\$ 513,906</u>	<u>(5,016,387)</u>
General revenues:					
State and local sources				4,887,270	4,887,270
Contributions and other revenues				167,718	167,718
Total general revenues				<u>5,054,988</u>	<u>5,054,988</u>
Changes in net assets, before special item				38,601	38,601
Special Item					
Potential loss of School funds				266,711	266,711
Net changes in net assets				(228,110)	(228,110)
Net position at beginning of year				935,020	935,020
Net position at end of year				<u>\$ 706,910</u>	<u>\$ 706,910</u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Balance Sheet - Governmental Funds

June 30, 2018

	General Fund	Special Revenue Fund	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 588,243	\$ 243,062	\$ 831,305
Due from other agency	4,679	120,776	125,455
Prepaid expenses	120,290	-	120,290
Due from special revenue fund	120,776	-	120,776
Total assets	<u>\$ 833,988</u>	<u>\$ 363,838</u>	<u>\$ 1,197,826</u>
LIABILITIES			
Accounts payable and accrued expenditures	\$ 427,826	\$ -	\$ 427,826
Due to general fund	-	120,776	120,776
Total liabilities	<u>427,826</u>	<u>120,776</u>	<u>548,602</u>
FUND BALANCES			
Nonspendable:			
Prepaid expenses	120,290	-	120,290
Spendable:			
Unassigned	<u>285,872</u>	<u>243,062</u>	<u>528,934</u>
Total fund balances	<u>406,162</u>	<u>243,062</u>	<u>649,224</u>
Total liabilities and fund balances	<u>\$ 833,988</u>	<u>\$ 363,838</u>	<u>\$ 1,197,826</u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position**

June 30, 2018

Total fund balances - governmental funds	\$	649,224
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the assets is \$365,981 and the accumulated depreciation is \$308,295.

57,686

Total net position - governmental activities	\$	706,910
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The accompanying notes to financial statements are an integral part of this statement.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds**

For the Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Special Revenue Fund	Total Governmental Funds
REVENUES				
Federal sources passed through local school district	\$ -	\$ -	\$ 1,191,082	\$ 1,191,082
State and local sources	4,887,270	513,906	-	5,401,176
Contributions and other revenues	167,718	-	-	167,718
Total revenues	5,054,988	513,906	1,191,082	6,759,976
EXPENDITURES				
Current:				
Instruction	2,230,147	-	557,144	2,787,291
Pupil personnel services	302,006	-	-	302,006
Board	23,362	-	-	23,362
General administration	87,592	-	-	87,592
School administration	1,987,171	-	-	1,987,171
Food services	-	-	509,108	509,108
Transportation services	24,182	-	-	24,182
Operation of plant	460,519	513,906	-	974,425
Total expenditures	5,114,979	513,906	1,066,252	6,695,137
Excess (deficiency) of revenue over expenditures	(59,991)	-	124,830	64,839
Special Item				
Potential loss of School funds	266,711	-	-	266,711
Total special items	266,711	-	-	266,711
Net changes in fund balances	(326,702)	-	124,830	(201,872)
Fund balances at beginning of year	732,864	-	118,232	851,096
Fund balances at end of year	<u>\$ 406,162</u>	<u>\$ -</u>	<u>\$ 243,062</u>	<u>\$ 649,224</u>

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

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended June 30, 2018

Net changes in fund balances - total governmental funds	\$	(201,872)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays 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. depreciation expense (\$26,238) in the current period.

	<u>(26,238)</u>
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Change in net position of governmental activities	\$	<u>(228,110)</u>
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The accompanying notes to financial statements are an integral part of this statement.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Notes to Financial Statements (continued)

1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Team Success A School of Excellence, Inc. (the "School") is a not-for-profit corporation organized pursuant to chapter 617, Florida Statutes, the Florida Not-for-Profit Corporation Act and Section 1002.22, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors (the "Board"), which is composed of at least five members.

The general operating authority of the School is contained in Section 1002.22, Florida Statutes. The School operates under a charter of the sponsoring school district, the District School Board of Manatee County Florida, (the "School Board"). The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board ("GASB").

During May 2010, the School filed a request and was approved by the Florida Department of State, Division of Corporations to amend the official name of the School. Effective for fiscal year 2011, the School's name was amended to Team Success A School of Excellence, Inc.

Charter Contract

The current charter expires June 30, 2020 and may be renewed for a maximum of an additional fifteen years by mutual written agreement between the School and the School Board. Upon the expiration of the charter, the School Board may elect not to renew the charter under grounds specified in the charter. In this case, the School Board is required to notify the School in writing at least 90 days prior to the charter's expiration. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is considered as a governmental organization for financial statement reporting purposes. The School is required by its agreement with the School Board to use the governmental reporting model and follow the fund and accounting structure provided in the "Financial and Program Cost Accounting and Reporting for Florida Schools – The Red Book" issued by the Florida Department of Education FDOE.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Notes to Financial Statements (continued)

about the School's financial position, its assets and its liabilities, using an economic resources measurement focus.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function; therefore, are clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions that are restricted for meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group 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 requirements. Certain funds received are established by law while others are created by grant agreements. The following are the major individual governmental funds that are reported in these fund financial statements:

- General Fund – the School's primary operating fund that accounts for all financial resources of the school, except those that are required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Special Revenue Fund – to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for a specific purpose.

For the purpose of these statements, the general, capital projects and special revenue funds are considered major funds.

Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures 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 accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred, regardless of the timing the related cash flows take place.

The governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition of capital leases, if any, are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Cash and Cash Equivalents and Investments

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

As State of Florida Statutes and the School's policy require, all deposits be made into and held by financial institutions designated by the treasurer of the State of Florida as qualified public depositories as defined by Chapter 280 of the Florida Statutes. This statute requires that every qualified public depository institution maintain eligible collateral to secure the public entity's funds. The minimum collateral to be pledged by the institution, the collateral eligible for pledge, and reporting requirements of the qualified public depositor to the treasurer is defined by the ability to assess members of the pool should the need arise. The School's deposits are held in a qualified public depository. They are covered by the collateral pool as the School has identified itself as a public entity at June 30, 2018.

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical cost and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date donated. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful lives are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Furniture, fixtures, and equipment	3 – 5
Leasehold improvements	3 – 20
Vehicles	7

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Notes to Financial Statements (continued)

Net Position and Fund Balance Classifications

Government-wide financial statements

Net position is classified and reported in three components:

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

Fund financial statements

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

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

This statement also clarifies the definition of the special revenue fund to denote it may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) that are legally restricted to expenditures for specified purposes.

Order of Fund Balance Spending Policy

The School’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First, nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Any

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

remaining fund balances not included in the general funds are classified as restricted fund balance. It is possible for the amounts not included in the general fund to be classified as restricted fund balance. It is possible for the amounts not included in the general fund to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Revenue Sources

Revenues for operations are provided primarily from the District School Board of Manatee County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Section 1002.22, Florida Statutes, the School reports the number of full-time equivalent (FTE) students and related data to the School District. The School Board receives a 5% administrative fee from the School, which is withheld from the respective Florida Education Finance Program (FEFP) payments. The administrative expense is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 250 students.

Under provisions of Section 1011.62, Florida Statutes, the School Board reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period. The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reductions or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2018, the School reported 688.13 unweighted FTE.

The School is also eligible for charter school capital outlay funding. The amounts received under this program are based on the School's actual and projected student enrollment during the fiscal year. Funds received under this program may only be used for lawful capital outlay expenditures.

The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

2 POTENTIAL MISAPPROPRIATIONS OF ASSETS IS PRESENTED AS A SPECIAL ITEM

For the year ended June 30, 2018, the school recognized potential misappropriation of assets of approximately \$267,000 which is recorded in the financial statements as a special item. The individual accused of being responsible had oversight of the books and accounting records. However, the School has taken appropriate action to inform all parties required to be informed and had an internal investigation. The individual responsible for the loss is no longer associated with the School. The amount reported as the special item in the financial statement is based on School's internal investigation.

3 FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States (GAAP) define fair value for an investment generally as the price an organization would receive upon selling the investment in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. The information available to measure fair value varies depending on the nature of each investment and its market or markets. Accordingly, GAAP recognizes a hierarchy of "inputs" an organization may use in determining or estimating fair value. The inputs are categorized into "levels" that relate to the extent to which an input is objectively observable and the extent to which markets exist for identical or comparable investments. In determining or estimating fair value, an organization is required to maximize the use of observable market data (to the extent available) and minimize the use of unobservable inputs. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical items (Level 1 inputs) and the lowest priority to unobservable inputs (Level 3 inputs).

The fair value hierarchy distinguishes between independent observable inputs and unobservable inputs used to measure fair value as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2: Inputs other than quoted market prices included within Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for an asset or liability. Level 3 inputs should be used to measure fair value to the extent that observable level 1 or 2 inputs are not available.

This statement requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's significant financial instruments are

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

cash, accounts receivable, accounts payable, short term borrowings, and other short term assets and liabilities. For these financial instruments (level 1), carrying values approximate fair value because of the short maturity of these instruments.

4 DUE FROM OTHER AGENCIES

Due from other agency included in the accompanying financial statements includes approximately \$121,000 from special revenue funds and \$5,000 from other state and local sources. Based on the sources of funds, management has evaluated the collectability and an allowance for doubtful accounts is not considered necessary.

5 CAPITAL ASSETS

Capital assets as of June 30, 2018 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets:				
Furniture, fixtures & equipment	\$ 263,774	\$ -	\$ -	\$ 263,774
Leasehold improvements	100,488	-	-	100,488
Vehicles	1,719	-	-	1,719
Total capital assets	<u>365,981</u>	<u>-</u>	<u>-</u>	<u>365,981</u>
Accumulated depreciation:				
Furniture, fixture & equipment	(186,274)	(17,317)	-	(203,591)
Leasehold improvements	(94,064)	(8,921)	-	(102,985)
Vehicles	(1,719)	-	-	(1,719)
Total accumulated depreciation	<u>(282,057)</u>	<u>(26,238)</u>	<u>-</u>	<u>(308,295)</u>
Capital assets, net	<u>\$ 83,924</u>	<u>\$ (26,238)</u>	<u>\$ -</u>	<u>\$ 57,686</u>
Depreciation expense:				
Instruction		\$ 16,738		
Food services		5,219		
Operation of plant		<u>4,281</u>		
Total governmental activities				
2018 depreciation expense		<u>\$ 26,238</u>		

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

6 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

District School Board of Manatee County, Florida:

Florida Education Finance Program	\$ 3,134,929
Class size reduction	819,228
Discretionary millage funds	370,693
Capital outlay	513,906
Transportation	178,059
Supplemental academic instruction	136,528
Lead teacher	66,706
ESE guaranteed allocation	63,255
Instructional materials	51,991
Reading allocation	31,097
Digital classroom allocation	17,825
Safe schools	15,527
Discretionary lottery funds	1,234
Additional allocation	695
Proration to funds available	(497)
Total	<u>\$ 5,401,176</u>

During the fiscal year ended June 30, 2018, pursuant to Section 31 of Chapter 2017-116, Laws of Florida, (House Bill 7069), codified in section 1013.62 Florida Statutes (F.S.), which required school districts to distribute to eligible charter schools local capital improvement revenue (LCIR) from the discretionary millage authorized in section 1011.72(2), F.S. For fiscal year 2018, the School received approximately \$355,600 which is reported as state funding in the capital projects fund. Funds received under LCIR may only be used for lawful capital outlay expenditures.

The administrative fee paid to the School Board during the year ended June 30, 2018 totaled approximately \$88,000, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

7 MANAGEMENT CONTRACT

The School has entered into a contractual agreement with Team Success Schools, LLC to provide management, administrative and transportation services to the School. The management agreement commenced March 1, 2017 and expires June 30, 2020. The fees to be paid to the management company will be \$1,950 per full-time equivalent student enrolled at the School. The fee for services is subject to an increase of up to 5% each fiscal year, if the budget allows and all performance measures and other requirements are met. In return for the fees, Team Success

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

Schools, LLC shall be responsible for providing management services in the areas of financial operations, facility and equipment procurement and maintenance, curriculum assessment and evaluation, technology and operational support, human resources, student recruitment and provide transportation services to the Charter School.

The contract may be terminated by the School for termination or non-renewal of the charter with the School board and for material breaches of contract terms which have not been cured within ten days of written notice at the time of the contract breach.

For the year ended June 30, 2018, the School incurred approximately \$1,150,000 of management fees and is reflected as a general administration expense/expenditure in the accompanying statements of activities and statement of revenues, expenditures and changes in fund balances – governmental funds.

8 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

9 COMMITMENTS AND CONTINGENT LIABILITIES

Facility lease commitments

The School has entered into a lease agreement commencing on August 1, 2016 and ending July 31, 2026. For the year ended June 30, 2018, rental expense for the lease was approximately \$564,000 which is reflected as an operation of plant expense/expenditure in the statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds. Future lease commitments are as follows;

Fiscal Year		
2019	\$	410,551
2020		418,762
2021		427,137
2022		435,680
2023		444,430
2024-2026		<u>942,792</u>
Total	\$	<u><u>3,079,352</u></u>

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Notes to Financial Statements
(continued)**

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as year end may be impaired.

Management also believes there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal matters

Management has retained legal representation to address the potential loss of school funds. Management expects there will be an adverse effect on the financial statements. Additionally, the school may be involved in other legal matters that management cannot determine whether there is an impact on the financial statements for June 30, 2018.

10 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the past tax years 2017, 2016, and 2015 are subject to examination by tax authorities and may change upon examination.

11 SUBSEQUENT EVENTS

In accordance with GASB Codification Section 2250.106, the School has evaluated subsequent events and transactions for potential recognition or disclosure through March 26, 2019 which is the date the revised financial statements were available to be issued. The School recognized a loss of potential misappropriation of assets during fiscal year 2018. Management has represented to us based on an internal investigation that there are identified additional potential inappropriate or unauthorized transactions from year end through September 30, 2018 in the amount of \$103,000. As stated in the notes to the financial statements, there may be other ongoing investigations at the time of the release of this report. Any additional adjustment will be reported in fiscal year 2019.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Required Supplementary Information

Budgetary Comparison Schedule - General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and local sources	\$ 4,709,075	\$ 4,709,075	\$ 4,887,270	\$ 178,195
Contributions and other revenues	149,045	149,045	167,718	18,673
Total revenues	4,858,120	4,858,120	5,054,988	196,868
EXPENDITURES				
Instruction	2,091,389	2,091,389	2,230,147	138,758
Pupil personnel services	198,622	198,622	302,006	103,384
Board	29,925	29,925	23,362	(6,563)
General administration	85,000	85,000	87,592	2,592
School administration	1,808,578	1,808,578	1,987,171	178,593
Transportation services	-	-	24,182	24,182
Operation of plant	493,481	493,481	460,519	(32,962)
Total expenditures	4,706,995	4,706,995	5,114,979	407,984
Excess (deficiency) of revenue over expenditures	151,125	151,125	(59,991)	(211,116)
Special Item				
Potential loss of School funds	-	-	266,711	266,711
Net changes in fund balances	151,125	151,125	(326,702)	(477,827)
Fund balances at beginning of year	732,864	732,864	732,864	-
Fund balances at end of year	\$ 883,989	\$ 883,989	\$ 406,162	\$ (477,827)

See report of independent auditors.

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC.

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Budgetary Comparison Schedule - Special Revenue Fund

For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual	Variance
REVENUES				
Federal sources passed through local school district	\$ 980,994	\$ 980,994	\$ 1,191,082	\$ 210,088
Total revenues	980,994	980,994	1,191,082	210,088
EXPENDITURES				
Current:				
Instruction	379,478	379,478	557,144	177,666
Food services	443,930	443,930	509,108	65,178
Total expenditures	823,408	823,408	1,066,252	242,844
Net changes in fund balances	157,586	157,586	124,830	(32,756)
Fund balances at beginning of year	118,232	118,232	118,232	-
Fund balances at end of year	\$ 275,818	\$ 275,818	\$ 243,062	\$ (32,756)

See report of independent auditors.



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

**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 Team Success A School of Excellence, Inc.,
a Charter School and Component Unit of the District
School Board of Manatee County, 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 for Team Success A School of Excellence, Inc., a Charter School and Component Unit of the District School Board of Manatee County, Florida, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued a separate report restated thereon dated March 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit 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 opinions 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control that we consider to be material weaknesses.

We have reported other matters, Findings Nos. 2018-1 – 2018-4 on pages 32-34 for management's further consideration.

Response to Findings

Team Success A School of Excellence, Inc. response to findings identified in our audit is described on page 10 and was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 and other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items.

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 engagement to perform an audit 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.

McCrady & Associates, PLLC

Altamonte Springs, Florida
March 26, 2019

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**Additional Information Required by
Rules of the Auditor General,
Chapter 10.850, *Audits of Charter Schools
and Similar Entities***



McCrary & Associates
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors of Team Success A School of Excellence, Inc.
a Charter School and Component Unit of the District
School Board of Manatee County Florida

Report on the Financial Statements

We have audited the financial statements of Team Success A School of Excellence, Inc. (the "School") as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated March 26, 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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 Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards. Disclosures in that report, if applicable, which is dated, March 26, 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. There were no findings or recommendations made in the preceding annual financial audit report.

Official Title

Section 10.854(1)(e)5. Rules of the Auditor General, requires the name or official title of the entity be disclosed in this management letter. The official title of the entity is Team Success A School of Excellence, Inc.

Financial Condition and Management

Sections 10.854(1)(e)2., and 10.855(11), Rules of the Auditor General, require us to apply appropriate procedures and communicate whether or not the School 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 the School 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 the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

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, we have reported material weaknesses noted as Finding 2018-1 and Finding 2018-2 on the Independent Auditor's Report on Compliance and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.

Transparency

Sections 10.854(1)(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 the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the School maintained on its Web site the information 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 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 note 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, and applicable management, and Manatee County School Board and is not intended to be and should not be used by anyone other than these specified parties.

McCrady & Associates, PLLC

Altamonte Springs, Florida
March 26, 2019

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TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2018

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s restated report issued: Unmodified

Internal Control over financial reporting:

- Material weakness identified? Yes
- Significant deficiencies identified that are not considered to be material weaknesses? No

Noncompliance material to financial statements noted? Yes

Federal Awards

Internal control over major programs:

- Material weakness identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? None noted

Type of auditor report issued on compliance for major programs? Unmodified

Audit findings disclosed that are required to be reported in accordance with section 510(a) of Uniform Guidance? N/A

Identification of major programs:

<u>CFDA Number</u>	<u>Grant Period</u>	<u>Name of Federal Program</u>
10.553	7/1/17 – 6/30/18	School Breakfast Program
10.555	7/1/17 – 6/30/18	National School Lunch Program
84.010	7/1/17 – 6/30/18	Title 1

Dollar threshold used to distinguish between type A and type B programs? \$750,000

Qualified as a low-risk auditee? Yes

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC

**A Charter School and Component Unit of the
District School Board of Manatee County, Florida**

**Schedule of Findings and Questioned Costs
(continued)**

For the Year Ended June 30, 2018

Section II – Financial Statement Findings

Finding 2018-1 - Segregation of Duties

When the school was starting and much smaller, there was one individual who primarily worked in the accounting department under the oversight of the principal and the Board of Governance. This is not unusual for small governments and nonprofit organizations to have limited resources to hire enough employees for proper separation of duties. Therefore, the school reviewed their internal control policies and applied mitigating factors to attempt to minimize the risks. For example, all check disbursements required two signatures and approved by the Director. Over the last couple of years, the school has successfully expanded requiring additional employees to be included in the accounting department. Management took action in late fiscal 2018 with hiring additional accounting personnel to create more segregation of duties. In addition, new policies and procedures were initiated such as signature stamps to avoid any delay of school activities. Although the controller was not authorized to sign checks, another member of the accounting department was assigned a stamp for signing checks. It appears that the stamp may have been used by someone other than the person authorized to use it. This action could potentially reduce the role of separation of duties. There were material misappropriation of assets discovered in September of 2018. These potential amounts were quantified by management to be approximately \$267,000 during the fiscal year 2017/2018. Inherently, small organizations need to improve the documentation and review of the separation of duties as the school changes.

Finding 2018-2 - Management Override of Internal Controls

During fiscal year 2018, the controller who was responsible for most of the accounting duties and many approvals, overrode internal control procedures to possibly misappropriate funds. These possible actions may have included altering checks after signed and approved by the Director, using a signature stamp that did not include her name and potentially creating fictitious entities and bank accounts. It is possible that the misappropriation of assets was caused by Management override of internal controls approved by the Board of Governance. Management engaged other independent professionals to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2018 in the amount of approximately \$267,000 has been recorded in these financial statements. As discussed, additional proper separation of duties should mitigate or reduce this risk. We recommend the board review the new policies annually.

Finding 2018-3 – Documentation Surrounding the Disbursement Process for the General Fund

During fiscal year 2018, our disbursement testing of the general fund expenditures resulted in a lack of documentation or support for some purchases when requested at final fieldwork. The controller, who had oversight responsibility for the accounting process including requests, approvals and remittance of payment, allegedly did not comply with the internal control procedures to possibly misappropriate funds. For example, the board has designated that two signatures would be on all checks. The controller was appropriately not an authorized signature. However, after an internal investigation, management engaged other independent professionals

TEAM SUCCESS A SCHOOL OF EXCELLENCE, INC

A Charter School and Component Unit of the District School Board of Manatee County, Florida

Schedule of Findings and Questioned Costs (continued)

For the Year Ended June 30, 2018

to conduct an internal investigation. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2018 has been recorded in these financial statements. We recommend that any signature stamps not be used when issuing checks or as approval on any support. We recommend the Board adopt a policy that any disbursements over \$10,000 has to be reviewed and approved by the Board except for recurring items such as rent. We also recommend the internal controls for separation of duties should be reviewed and changed to accommodate the activities and the size of the school as it changes.

Finding 2018-4 –Use of Credit Cards Issued to Management and Employees

During our review and test work in fiscal year 2018, we noted there were numerous credit cards with high available credit to several members of management for use to operate the school. This practice had grown over the years due to the growth of the school. Based on our review of several months of credit cards, most all of the charges had support such as receipts attached to the statement for review before approval. However, it was not always clear the purpose of the purchase. These purchases could have been for school or personal use but was not always specified on the support. Although most of these items were small, aggregately they were material. During the internal and independent investigation, this fact was taken into consideration when determining the amount of misappropriation of assets. Based on that report and our review, the amount of the potential loss associated with the school for fiscal year 2018 has been recorded in these financial statements. We recommend the Board of Governance develop policies surrounding the use of any credit cards including reduction of credit, minimizing the number of payers as well as recipients of the cards. In addition, they should review and establish specific proper documentation. In addition, they should review and establish specific required documentation.

Section III – Federal Award Findings and Questioned Costs

Based on our specific testing on the Federal Programs Audit there were no findings noted.

Section IV – Status of Prior Year Audit Findings

1. There were no findings and recommendations in the preceding financial audit report.

Team Success, A School of Excellence

Current Year Audit Findings and Management's Response

Finding Number 2018-1 Segregation of Duties

The school has grown, but maintained one primary individual responsible for the dispersal of funds. The school thought it had sufficient safe guards in place by having two signatures required for each expenditure check. The school allowed the use of a signature stamp for one those individuals to expedite check processing. The other individual whose signature was required on each step managed to replicate the stamp and used the stamp to improperly affix a co-signature to checks in an unauthorized fashion allow her to steal substantial sums before being discovered. This same individual reviewed the monthly banking statements and approved them, hiding the theft.

Management's Response: Management has already taken steps to prevent this from occurring in the future. Check signature stamps are no longer permissible. Most importantly, an independent member of management, that is one who does not have check signature authority, now reviews the bank statements to verify the appropriateness of all check expenditures. Additionally, actual expenditures as noted on monthly bank statements will be compared to the general ledger to confirm proper categorization of expenses, and that actual funds expended were booked to the appropriate accounts.

Finding Number 2018-2 Management Override of Internal Controls

It was found in the audit that the same individual as above regularly overrode the internal control procedures in place to misappropriate funds. This included the abuse of the check stamp as in the 2018-1 Finding above.

Management Response:

Management and the Board of Governance has instituted a policy that requires any deviations from approved internal controls to be approved by an

independent party of management who has not control over fund dispersals. The Board of Governance has eliminated the permissive use of a check signature stamp and still requires the manual signature of two parties for each dispersal check written. Additionally, the Board of Governance has put in place a policy of having an individual not associated with check preparation or signature review the monthly bank statements to verify the appropriateness of all funds dispersed in the previous month. This also extends to reviewing the payroll disbursement records to assure the all payments to employees were authorized and appropriate. The Board of Governance will review these policies on at least an annual basis, with the input of our independent third party auditors.

Finding 2018-3 Documentation Surrounding the Disbursement Process for the General Fund

It was found in the audit that many times there was a lack of documentation to support disbursement of funds. This lack of documentation was always in conjunction with the misappropriation of funds that was facilitated by the unauthorized abuse of the check signature stamp.

Management Response:

The Board of Governance has already instituted multiple corrective policies. Check signature stamps will no longer be used or authorized. Any disbursement over \$10,000 that is not a recurring item must be reviews and approved by the Governing Board. Duties have been separated, so that a party who is not a check signer will review the monthly bank statements for disbursement and confirm proper documentation for any suspicious disbursement, as well randomly audit for proper documentation supporting disbursements. Additionally, actual cash disbursements as reflected in monthly bank statements will be compared to general ledger category entries to confirm that all expenditures were properly booked.

Finding 2018-4 Use of Credit Cards Issued to Management and Employees

It was found that there were numerous credit cards, most with high credit limits, available to multiple members of school management. There were often credit card expenditures with insufficient documentation. This situation led to credit card abuse used as a vehicle for theft of school funds.

Management Response:

The Board of Governance will be restricting the use of credit cards to minimum necessary for reasonable efficient operation of the school on a day to day basis. This will mean having less credit cards in number, having less authorized users on each credit card, and having the minimum balance to handle typical expenditures. Unusual expenditures of higher amounts will be handled via the normal check dispersal system rather than by credit card. Additionally, recognizing the potential for credit card abuse, the accounting personal will be more diligent in requiring back up documentation for all credit card expenditures.

On behalf of the Board of Governance of Team Success School I do here-by submit this Management Response to Audit findings and its Plan of Correction

A handwritten signature in dark ink, appearing to read "Douglas R. Colkitt M.D. M.B.A.", written in a cursive style.

Douglas R. Colkitt M.D. M.B.A.

President of the Board of Governance

Team Success School