

**STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT  
UNIT OF THE SCHOOL BOARD OF  
SARASOTA COUNTY, FLORIDA**

**FINANCIAL STATEMENTS**

**JUNE 30, 2016**

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
FINANCIAL STATEMENTS  
JUNE 30, 2016

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Student Leadership Academy of Venice, Inc.  
Venice, Florida

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Student Leadership Academy of Venice, Inc. (the "Charter School") (a Charter School and component unit of the School Board of Sarasota County, Florida), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the general fund and the aggregate remaining fund information of the Charter School as of June 30, 2016, 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.

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## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A) on pages 3 - 7, the Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund on pages 28 - 29 and the Schedule of the Charter School's Proportionate Share of the Net Pension Liability and Schedule of the Charter School's Contributions on pages 30 - 34 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter School's basic financial statements. The other supplemental information on page 35, as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2016 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

October 6, 2016  
Bradenton, Florida

**STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2016**

As management of Student Leadership Academy of Venice, Inc. (the "Charter School"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Charter School for the fiscal year ended June 30, 2016.

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

**Operating Entity**

This Charter School was incorporated as a not-for-profit corporation in 2004. The Charter School operates under a charter of the sponsoring school board, the School Board of Sarasota County, Florida, serving grades 6-8.

The Charter School occupies a leased facility situated in an excellent location on the island in Venice, with County-operated athletic fields located across a residential street. These fields are available for physical fitness classes and team sports.

**Overview of the Financial Statements**

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

**Government-wide Financial Statements**

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

The Statement of Net Position presents information on all of the assets and liabilities as of June 30, 2016, showing total assets of \$962,344 and total liabilities of \$1,075,247. Net position is in a deficit position of \$66,845, and is the difference between total assets plus deferred outflows less total liabilities and deferred inflows. The deficit is a result of reporting a net pension liability in the amount of \$807,106 in accordance with GASB Statement No. 68. Over time, the increase or decrease in net position may serve as a useful indicator of whether the financial position of the Charter School is improving or deteriorating.

### Condensed Statement of Net Position

	<b><u>Governmental Activities</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>Change</u></b>
Current and other assets	\$ 199,271	\$ 214,915	\$ (15,644)
Capital assets	763,073	784,120	(21,047)
Total assets	<u>962,344</u>	<u>999,035</u>	<u>(36,691)</u>
Deferred outflows	<u>322,853</u>	<u>150,555</u>	<u>172,298</u>
Current liabilities	167,400	174,963	(7,563)
Noncurrent liabilities	<u>907,847</u>	<u>788,946</u>	<u>118,901</u>
Total liabilities	<u>1,075,247</u>	<u>963,909</u>	<u>111,338</u>
Deferred inflows	<u>276,795</u>	<u>322,895</u>	<u>(46,100)</u>
Net investment in capital assets	675,735	631,187	44,548
Restricted	-0-	-0-	-0-
Unrestricted	<u>(742,580)</u>	<u>(768,401)</u>	<u>25,821</u>
Total net position	<u>\$ (66,845)</u>	<u>\$ (137,214)</u>	<u>\$ 70,369</u>

The Statement of Activities presents information showing how the Charter School's net position increased by \$70,369 during the current year. As noted in the following schedule, revenues increased as a direct result of an increase in the base student allocation in fiscal year 2016. Instruction and school administration expenses increased mainly due to an increase in instructors.

### Condensed Statements of Activities

	<b><u>Governmental Activities</u></b>		
	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>Change</u></b>
<b>Revenues</b>			
Grant revenues:			
Grants and contributions not restricted to specific programs	\$ 2,677,925	\$ 2,418,940	\$ 258,985
Miscellaneous revenue	16,727	23,976	(7,249)
Investment earnings	<u>176</u>	<u>161</u>	<u>15</u>
Total general revenues	<u>2,694,828</u>	<u>2,443,077</u>	<u>251,751</u>
<b>Total revenues</b>	<u>2,694,828</u>	<u>2,443,077</u>	<u>251,751</u>
<b>Expenses</b>			
Instruction	1,442,472	1,330,487	111,985
Pupil personnel services	117,144	87,289	29,855
Instruction media services	31,806	31,980	(174)
Instructional staff training	2,223	257	1,966
Board	18,750	16,325	2,425
General administration	38,415	37,171	1,244
School administration	420,344	368,417	51,927
Fiscal services	18,050	18,050	-0-
Food services	9,448	8,845	603
Pupil transportation services	73,026	65,455	7,571
Operation of plant	404,160	402,673	1,487



## Condensed Statement of Activities – Continued

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Maintenance of plant	41,532	47,318	(5,786)
Interest and debt issuance	7,089	12,869	(5,780)
<b>Total expenses</b>	<u>2,624,459</u>	<u>2,427,136</u>	<u>197,323</u>
 Increase in Net Position	70,369	15,941	54,428
Net Position – Beginning (deficit)	<u>(137,214)</u>	<u>(153,155)</u>	<u>15,941</u>
Net Position – Ending (deficit)	<u>\$ (66,845)</u>	<u>\$ (137,214)</u>	<u>\$ 70,369</u>

The government-wide financial statements can be found on pages 8 and 9 of this report.

### Fund Financial Statements

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

The only governmental fund utilized by the Charter School is the General Fund. The Charter School had a fund balance of \$32,308 in the General Fund as of June 30, 2016. Fund balance decreased \$8,409 which was a significant improvement over 2015 (\$120,272).

The General Fund financial statements can be found on pages 10 and 12 of this report.

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

### Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 15 through 27 of this report.

### General Fund Budget

The Board closely monitors the Charter School's financial performance relative to the tentative budget on a monthly basis. The Board made formal budget amendments to approve changes as they monitored the bottom line for the overall financial effect on the Charter School. The Board approved budget amendments to reflect a small increase in enrollment from the originally expected enrollment and the increased costs of various functions.



## General Fund Budget – Continued

Original budgeted revenues were \$2,538,900 compared to final budgeted revenues of \$2,667,110. Original budgeted expenditures were \$2,505,870 compared to final budgeted expenditures of \$2,686,826. At year-end, actual revenues exceeded budget by \$27,718, and actual expenditures exceeded appropriations by \$16,411.

The Board has approved an operating budget for the 2016-2017 academic year based on a student enrollment of 285 students. The budget demonstrates that the Charter School will have a budgeted surplus from operations of approximately \$56,000 which will be available for future spending.

## Capital Assets

Below is a schedule of capital assets net of accumulated depreciation as of June 30, 2016 and 2015.

### Capital Assets

	<u>Governmental Activities</u>		
	<u>2016</u>	<u>2015</u>	<u>Change</u>
Leasehold improvements	\$ 700,757	\$ 726,222	\$ (25,465)
Furniture, fixtures and equipment	62,316	57,898	4,418
Total (net of depreciation)	<u>\$ 763,073</u>	<u>\$ 784,120</u>	<u>\$ (21,047)</u>

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

## Debt Administration

During 2015, the Charter School converted a \$200,000 line-of-credit arrangement into a note payable and received proceeds of \$200,000 to partially finance the roof replacement. During 2016 and 2015, the Charter School paid \$65,595 and \$47,067, respectively, in principal payments leaving the Charter School with an outstanding balance of \$87,338 at June 30, 2016.

The Charter School has recognized its proportionate share of the FRS and HIS net pension liability in accordance with GASB Statement No. 68. At June 30, 2016, the net pension liability recognized by the Charter School was \$807,106.

The Charter School has an annual leave policy providing all full-time employees six days of annual leave each fiscal year. Upon separation of employment from the Charter School, employees will receive 50% of the value of any remaining accrued annual leave up to a maximum of thirty (30) days. The Charter School reported a liability in the amount of \$13,403 and \$14,716 at June 30, 2016 and 2015, respectively, for accrued compensated absences.

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

## **Economic Factors and Student Achievement**

Knowing that enrollment growth and eventual stability is critical to the future viability of the Charter School, the Board continues to use postcards to announce open houses throughout the spring. These open houses provided a cost-efficient manner in which the Charter School can target potential new students and their parents, giving them the opportunity to tour the Charter School and interview the teachers.

Recognizing the increased competition in the geographical area, management reduced the 2016-2017 budget to 285 students and plans to reduce staff by at least two positions for the 2016-2017 school year in preparation of a decrease in student enrollment. The Charter School received a grade of “A” under the A+ accountability plan for Florida schools for the 2014-2015 school year, with an average class size of 20 students. The Charter School was also awarded the designation of “High Performing Charter School” by the Florida Department of Education in July 2011, allowing the Charter School to only pay a 2% administrative fee on the first 250 students instead of a 5% administrative fee on the first 250 students. The Charter School maintained the standards during the 2015-2016 fiscal year to continue the “High Performing Charter School” designation.

## **Requests for Information**

The financial report is designed to provide a general overview of the Student Leadership Academy of Venice, Inc.’s finances for those with an interest in the entity’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Student Leadership Academy of Venice, Inc., 200 Field Avenue, Venice, Florida 34285.

STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
STATEMENT OF NET POSITION  
JUNE 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Current assets	
Cash	\$ 174,684
Pledge receivable	10,000
Prepaid items	13,986
Other current asset	601
Total current assets	<u>199,271</u>
Noncurrent assets	
Capital assets, net of accumulated depreciation	<u>763,073</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 962,344</u></u>
<b>DEFERRED OUTFLOWS OF RESOURCES – Pension</b>	<u><u>\$ 322,853</u></u>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	\$ 4,626
Accrued expenses	162,774
Total current liabilities	<u>167,400</u>
Noncurrent liabilities	
Due within one year	71,644
Due in more than one year	836,203
Total noncurrent liabilities	<u>907,847</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 1,075,247</u></u>
<b>DEFERRED INFLOWS OF RESOURCES – Pension</b>	<u><u>\$ 276,795</u></u>
Net position	
Net investment in capital assets	675,735
Unrestricted	(742,580)
<b>TOTAL NET POSITION</b>	<u><u>\$ (66,845)</u></u>

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

STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities:					
Instruction	\$ 1,442,472	\$ -	\$ -	\$ -	\$ (1,442,472)
Pupil personnel services	117,144	-	-	-	(117,144)
Instructional media services	31,806	-	-	-	(31,806)
Instructional staff training	2,223	-	-	-	(2,223)
Board	18,750	-	-	-	(18,750)
General administration	38,415	-	-	-	(38,415)
School administration	420,344	-	-	-	(420,344)
Fiscal services	18,050	-	-	-	(18,050)
Food services	9,448	-	-	-	(9,448)
Pupil transportation services	73,026	-	-	-	(73,026)
Operation of plant	404,160	-	-	-	(404,160)
Maintenance of plant	41,532	-	-	-	(41,532)
Interest and debt issuance	7,089	-	-	-	(7,089)
Total Governmental Activities	<u>2,624,459</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,624,459)</u>
General Revenues:					
Grants and contributions not restricted to specific programs					2,677,925
Miscellaneous					16,727
Investment earnings					176
Total General Revenue					<u>2,694,828</u>
Change in net position					70,369
Net Position – July 1, 2015					<u>(137,214)</u>
Net Position – June 30, 2016					<u><u>\$ (66,845)</u></u>

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

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
BALANCE SHEET – GENERAL FUND  
JUNE 30, 2016

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**ASSETS**

Cash	\$ 174,684
Pledge receivable	10,000
Prepaid items	13,986
Other current asset	<u>601</u>

TOTAL ASSETS	<u><u>\$ 199,271</u></u>
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**LIABILITIES AND FUND BALANCE**

Liabilities:

Accounts payable	\$ 4,626
Accrued expenses	<u>162,337</u>
TOTAL LIABILITIES	166,963

Fund Balance:

Nonspendable, prepaid items	13,986
Unassigned	<u>18,322</u>

TOTAL FUND BALANCES	<u>32,308</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 199,271</u></u>
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The accompanying notes are an integral part of these financial statements.

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
RECONCILIATION OF THE BALANCE SHEET – GENERAL FUND  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016

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Fund Balance – General Fund	\$	32,308
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the General Fund		763,073
Deferred outflows of resources related to pension are not recognized in the governmental funds; however, they are reported in the statement of net position		322,853
Deferred inflows of resources related to pension are not recognized in the governmental funds; however, they are reported in the statement of net position		(276,795)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the General Fund		
Notes payable	(87,338)	
Net pension liability	(807,106)	
Interest payable	(437)	
Compensated absences	<u>(13,403)</u>	
		<u>(908,284)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$</u>	<u>(66,845)</u>

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

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

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	<b>GENERAL FUND</b>
<b>REVENUES</b>	
Federal through local	\$ 11,349
State through local	1,953,437
Local	<u>730,042</u>
Total Revenues	<u>2,694,828</u>
<b>EXPENDITURES</b>	
Current	
Instruction	1,448,909
Pupil personnel services	118,471
Instructional media services	32,286
Instructional staff training	2,223
Board	18,750
General administration	38,415
School administration	423,325
Fiscal services	18,050
Food services	9,595
Pupil transportation services	73,026
Operation of plant	364,831
Maintenance of plant	42,009
Capital outlay	40,335
Debt service	
Principal	65,595
Interest	<u>7,417</u>
Total Expenditures	<u>2,703,237</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,409)</u>
NET CHANGE IN FUND BALANCE	(8,409)
FUND BALANCE, July 1, 2015	<u>40,717</u>
FUND BALANCE, June 30, 2016	<u><u>\$ 32,308</u></u>

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





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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUND  
JUNE 30, 2016

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	<u>Agency Fund</u>
<b>ASSETS</b>	
Cash	\$ 9,175
<b>TOTAL ASSETS</b>	<b><u>\$ 9,175</u></b>
<b>LIABILITIES</b>	
Due to clubs	\$ 9,175
<b>TOTAL LIABILITIES</b>	<b><u>\$ 9,175</u></b>

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

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity

Student Leadership Academy of Venice, Inc. (the “Charter School”) is a not-for-profit corporation that operates a middle school in Venice, Florida. The corporation was organized pursuant to the Florida Not-for-Profit Corporation Act, Chapter 617, Florida Statutes. The governing body of the Charter School is a not-for-profit corporation Board of Directors composed of five members.

The general operating authority of the Charter School is contained in Chapter 1002.33, Florida Statutes. The Charter School operates under a charter of the sponsoring school board, the School Board of Sarasota County, Florida, which is effective through June 30, 2024. The Charter School is considered a component unit of the School Board of Sarasota County, Florida. Upon dissolution or termination of the charter, all of the property, furnishings and equipment purchased with public funds, in part or in whole, automatically revert to the School Board of Sarasota County, Florida.

Basis of Presentation

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

Government-wide and Fund Financial Statements

The Charter School’s financial statements include both government-wide (reporting on the Charter School as a whole) and fund financial statements. The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the Charter School. The government-wide financial statements present governmental activities only. The Charter School has no business-type activities. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

In the government-wide Statement of Net Position, the Charter School recognizes all long-term assets and receivables as well as long-term liabilities, including debt and other obligations. The Charter School’s net position is reported in three parts (as applicable): (1) net investment in capital assets; (2) restricted net position; and (3) unrestricted net position.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a given function (or segment) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

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

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

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

Cash

The Charter School's cash consists of deposits with financial institutions that are insured by the Federal Depository Insurance Corporation (FDIC). At June 30, 2016, the carrying amount of the Charter School's deposits was \$174,684 and the bank balances were \$177,155. At June 30, 2016, all cash balances of the Charter School were fully insured by the FDIC.

Capital Assets

Capital assets, which include leasehold improvements and furniture, fixtures and equipment, are reported in the governmental activities column in the government-wide financial statements and are not reported in the fund financial statements. Capital assets are defined by the Charter School as any asset with an initial cost of more than \$750 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. All capital assets are depreciated using the straight-line method over their estimated useful lives. Useful lives vary from 7 to 39 years for leasehold improvements and 3 to 7 years for furniture, fixtures and equipment.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. One item qualifies for reporting in this category. A deferred outflow of pension resources is reflected in the government-wide statement of net position. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. One item qualifies for reporting in this category. A deferred inflow of pension earnings is reported in the government-wide statement of net position.

Fund Equity

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

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Fund Equity – Continued

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

Fund balances are classified as follows:

- *Nonspendable:* Fund balances are reported as nonspendable when amounts cannot be spent because they are either: (1) not in spendable form (i.e., items that are not expected to be converted to cash) or (2) legally or contractually required to be maintained intact.
- *Restricted:* Fund balances are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Committed:* Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraint imposed by formal action of the Board of Directors. Only the Board of Directors may modify or rescind the commitment.
- *Assigned:* Fund balances are reported as assigned when amounts are constrained by the Charter School's intent to be used for specific purposes, but are neither restricted nor committed. Currently there is no one employee authorized to assign fund balances. As a result, only the Board of Directors is authorized to make assignments.
- *Unassigned:* Fund balances are reported as unassigned as the residual amount when balances do not meet any of the above criterion. The Charter School reports positive unassigned fund balance as of June 30, 2016.

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

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

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

Budgetary Information

An annual budget was adopted for the General Fund on the modified accrual basis of accounting and is used to account for the activity in the General Fund. Appropriations are controlled at the fund level. All annual appropriations lapse at fiscal year end. Expenditures exceeded appropriations in the General Fund in the amount of \$16,411. Revenues in excess of budget in the amount of \$27,718 were used to offset these excess expenditures.

Revenue Sources

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

The Charter School also receives Federal, State and local awards for the enhancement of various educational programs. Awards are generally received based on applications submitted to and approved by the respective granting agencies.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS), (which includes FRS and HIS) and additions to/deletions from FRS's fiduciary net position have been determined on the same basis as they are reported by FRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments in the Cost-Sharing Multi-Employer Plan are reported at fair value (Note 7).

Estimates

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



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**NOTE 2 – CAPITAL ASSETS**

Capital asset activity for fiscal year ended June 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets being depreciated				
Leasehold improvements	\$ 948,281	\$ 14,339	\$ -0-	\$ 962,620
Furniture, fixtures and equipment	<u>498,101</u>	<u>25,996</u>	<u>-0-</u>	<u>524,097</u>
Total capital assets being depreciated	<u>1,446,382</u>	<u>40,335</u>	<u>-0-</u>	<u>1,486,717</u>
Less accumulated depreciation				
Leasehold improvements	222,059	39,804	-0-	261,863
Furniture, fixtures and equipment	<u>440,203</u>	<u>21,578</u>	<u>-0-</u>	<u>461,781</u>
Total accumulated depreciation	<u>662,262</u>	<u>61,382</u>	<u>-0-</u>	<u>723,644</u>
Total capital assets being depreciated, Net	<u>784,120</u>	<u>(21,047)</u>	<u>-0-</u>	<u>763,073</u>
Governmental activities capital assets, Net	<u>\$ 784,120</u>	<u>\$ (21,047)</u>	<u>\$ -0-</u>	<u>\$ 763,073</u>

Depreciation expense in the amount of \$61,382 for the year ended June 30, 2016, was allocated to the following governmental functions:

Instruction	\$ 17,709
School administration	3,869
Operation of plant	<u>39,804</u>
	<u>\$ 61,382</u>

**NOTE 3 – LONG-TERM LIABILITIES**

On July 15, 2009, the Charter School signed a commitment letter for a \$200,000 line-of-credit with Building Hope, a charter school facilities fund through America's Charter School Finance Corporation. In 2015, the Charter School converted the line-of-credit to a promissory note and borrowed the full \$200,000 available to partially fund the replacement of the Charter School's roof. The promissory note bears an interest rate of 6%, requires monthly principal and interest payments of \$6,084, has a maturity date of September 8, 2017, and is secured by an assignment of the Charter School's leasehold interest and first lien on all the assets of the Charter School. The note has certain loan covenants that during the year ended June 30, 2016 were met.

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**NOTE 3 – LONG-TERM LIABILITIES – CONTINUED**

Future maturities on the promissory note is as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 69,644	\$ 3,368	\$ 73,012
2018	17,694	181	17,875
Total	<u>\$ 87,338</u>	<u>\$ 3,549</u>	<u>\$ 90,887</u>

The Charter School has an annual leave policy providing all full-time employees six days of annual leave each fiscal year. Upon separation of employment from the Charter School, employees receive payment for 50% of the value of any remaining unused accrued annual leave up to a maximum of thirty (30) days.

The net pension liability is described in Note 7.

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 14,716	\$ 44,786	\$ (46,099)	\$ 13,403	\$ 2,000
Net pension liability	621,297	482,261	(296,452)	807,106	-0-
Promissory Note	<u>152,933</u>	<u>-0-</u>	<u>(65,595)</u>	<u>87,338</u>	<u>69,644</u>
	<u>\$ 788,946</u>	<u>\$ 527,047</u>	<u>\$ (408,146)</u>	<u>\$ 907,847</u>	<u>\$ 71,644</u>

**NOTE 4 – OPERATING LEASE**

The Charter School entered into an eight year operating lease for the school building effective July 1, 2006. The rent expense was \$216,000 for the year ended June 30, 2016. On July 1, 2013, the lease agreement was extended to June 30, 2019. Future minimum lease payments for this lease are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2017	\$ 222,000
2018	\$ 228,000
2019	\$ 234,000

On June 21, 2014, the lessor pledged \$100,000 for a new roof for the school building. The Charter School received \$30,000 of rent reductions related to the pledge during the years ended June 30, 2014, 2015 and 2016. The remaining pledge of \$10,000 will be received through a reduction in rent for the 2017 fiscal year.

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**NOTE 5 – SCHEDULE OF REVENUE SOURCES**

The following is a schedule of revenue sources and amounts:

<u>Source</u>	<u>Amount</u>
Federal through local	
Individuals with Disabilities Education Act grant funds	\$ 11,349
Subtotal	<u>11,349</u>
State through local	
Base funding/declining enrollment	1,455,967
Supplemental academic instruction	63,604
Reading instruction	14,810
Classroom for Kids	282,386
Safe Schools	6,435
Instruction materials	24,135
Charter school capital outlay	52,305
Florida teacher lead program	254
Florida school recognition funds	27,829
Excellent Teaching Program	24,769
Other	<u>943</u>
Subtotal	<u>1,953,437</u>
Local	
Discretionary local effort/millage equalization	242,688
Voted referendum millage	324,449
Local capital outlay millage	146,002
Miscellaneous revenue	16,727
Interest earnings	<u>176</u>
Subtotal	<u>730,042</u>
Total revenues	<u>\$ 2,694,828</u>

**NOTE 6 – RISK MANAGEMENT PROGRAMS**

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

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**NOTE 7 – RETIREMENT PLAN – FLORIDA RETIREMENT SYSTEM**

Plan Description

All part-time and full-time permanent employees of the Charter School are provided with pensions through the Florida Retirement System which is administered by the Florida Department of Management Services, Division of Retirement. The State of Florida issues a publicly available comprehensive annual financial report that can be obtained at <http://www.myfloridacfo.com/Division/AA/Reports/default.htm>.

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

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

Benefits Provided

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

Plan Provisions

**If first employed prior to July 1, 2011:** Normal retirement age for “regular” employees is 62 or 30 years of service and vesting occurs after 6 years of creditable service. Normal retirement age for “special risk” employees is 55 or 25 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the five highest fiscal years’ earnings.

**If first employed on or after July 1, 2011:** Normal retirement age for “regular” employees is 65 or 33 years of service and vesting occurs after 8 years of creditable service. Normal retirement age for “special risk” employees is 60 or 30 years of service and vesting occurs after 8 years of creditable service. The average final compensation is the average of the eight highest fiscal years’ earnings.

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

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**NOTE 7 – RETIREMENT PLAN FLORIDA – RETIREMENT SYSTEM – CONTINUED**

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

**Contributions Required and Made**

Per Chapter 121, Florida Statutes, contribution requirements of the active employees and the participating employers are established and may be amended by the Florida Department of Management Services, Division of Retirement. Effective July 1, 2011, both employees and employers of the FRS are required to make contributions to establish service credit for work performed in a regularly established position. The Florida Legislature established a uniform contribution rate system for the FRS. The uniform rates are based on the class an employee is placed into, which require employees to contribute 3% and employers to contribute based on class. The Charter School's contractually required contribution rate for the year ended June 30, 2016 was 7.26% of annual payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the Charter School were \$97,636 for the year ended June 30, 2016.

Contributions for the year ended June 30, 2016, which equaled required contributions, were \$97,636 and approximated 7.26% of covered payroll. Contributions for the year ended June 30, 2015, which equaled required contributions, were \$84,292 and approximated 7.37% of covered payroll. Contributions for the year ended June 30, 2014, which equaled required contributions were \$81,786 and 6.95% of covered payroll.

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

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

At June 30, 2016, the Charter School reported a liability of \$807,106 for its proportionate share of the net pension liability which includes both FRS and HIS. The net pension liability was based on the FRS actuarial valuation prepared as of July 1, 2015 and the HIS actuarial valuation prepared as of July 1, 2014 with updated procedures used to determine liabilities as of July 1, 2015. The Charter School's proportion of the net pension liability was based on a long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2015, the Charter

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**NOTE 7 – RETIREMENT PLAN FLORIDA – RETIREMENT SYSTEM – CONTINUED**

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

School's proportion was 0.002765655% for FRS and 0.004411320% for HIS which was consistent with its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the Charter School recognized pension expense of \$51,654. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	FRS		HIS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 37,712	\$ 8,472	\$ -0-	\$ -0-
Changes in assumptions	23,710	-0-	35,394	-0-
Net difference between projected and actual earnings on pension plan investments	125,823	211,122	244	-0-
Changes in proportion and differences between contributions and proportionate share of contributions	-0-	35,840	15,727	21,361
Charter School contributions subsequent to the June 30, 2015 measurement date	61,621	-0-	22,622	-0-
	<u>\$ 248,866</u>	<u>\$ 255,434</u>	<u>\$ 73,987</u>	<u>\$ 21,361</u>

Total deferred outflows were \$322,853 and total deferred inflows were \$276,795. \$61,621 (FRS) and \$22,622 (HIS) were reported as deferred outflows of resources related to pensions resulting from Charter School contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending June 30:</u>	FRS	HIS
2017	\$ (14,344)	\$ 4,182
2018	(14,344)	4,182
2019	(14,344)	4,182
2020	(14,344)	4,182
2021	(14,344)	4,181
Thereafter	3,531	9,095
	<u>\$ (68,189)</u>	<u>\$ 30,004</u>

Actuarial Assumptions

The total pension liability is based on the FRS actuarial valuation prepared as of July 1, 2015 and the HIS actuarial valuation prepared as of July 1, 2014 with updated procedures used to determine liabilities as of July 1, 2015. It was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.6 percent
Salary increases	3.25 percent, including inflation
Investment rate of return	7.65 percent, including inflation at 2.60%

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**NOTE 7 – RETIREMENT PLAN FLORIDA – RETIREMENT SYSTEM – CONTINUED**

Actuarial Assumptions – Continued

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study performed in 2014 for the period July 1, 2008 – June 30, 2013. Because the HIS is funded on a pay-as-you-go basis, no experience study has been completed for that Plan, but were based on certain results of the most recent experience study for the FRS Plan.

The long-term expected rate of return on pension plan investments was determined in October 2015 at the FRS Actuarial Assumptions conference based on a review of long-term assumptions developed both by Milliman's capital market assumptions team and by a capital market assumptions team from Aon Hewitt Investment Consulting, which consults the Florida State Board of Administration. The table below shows Milliman's assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption, (2.60%). These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Annual Arithmetic Return</u>
Cash	1%	3.2%
Fixed income	18%	4.8%
Global equity	53%	8.5%
Real estate (property)	10%	6.8%
Private equity	6%	11.9%
Strategic investments	12%	6.7%

*Discount Rate*

The discount rate used to measure the total FRS pension liability was 7.65%, and the HIS pension liability was 3.80%. The HIS rate decreased from 4.29% to 3.80% in the most recent actuarial study. The HIS rate is based on the Bond Buyer General Obligation 20-Bond Municipal Bond Index. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.



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**NOTE 7 – RETIREMENT PLAN FLORIDA – RETIREMENT SYSTEM – CONTINUED**

Sensitivity of the Charter School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Charter School's proportionate share of the FRS net pension liability calculated using the discount rate of 7.65%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.65 percent) or 1-percentage-point higher (8.65 percent) than the current rate:

	<u>1% Decrease</u> <u>(6.65%)</u>	<u>Discount Rate</u> <u>(7.65%)</u>	<u>1% Increase</u> <u>(8.65%)</u>
Charter School's proportionate share of the FRS net pension liability	\$ 925,642	\$ 357,221	\$ (115,797)

The following presents the Charter School's proportionate share of the HIS net pension liability calculated using the discount rate of 3.80%, as well as what the Charter School's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percent-point lower (2.80%) or 1-percentage-point higher (4.80%) than the current rate:

	<u>1% Decrease</u> <u>(2.80%)</u>	<u>Discount Rate</u> <u>(3.80%)</u>	<u>1% Increase</u> <u>(4.80%)</u>
Charter School's proportionate share of the HIS net pension liability	\$ 512,623	\$ 449,885	\$ 397,571

Pension Plan Fiduciary Net Position

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

**NOTE 8 – SUBSEQUENT EVENTS**

The Charter School has evaluated all subsequent events through October 6, 2016, the date the financial statements were available to be issued.

## REQUIRED SUPPLEMENTRY INFORMATION

STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2016

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE
<b>REVENUES</b>				
Federal through local	\$ -	\$ -	\$ 11,349	\$ 11,349
State through local	1,870,480	2,035,990	1,953,437	(82,553)
Local	668,420	631,120	730,042	98,922
Total Revenues	2,538,900	2,667,110	2,694,828	27,718
<b>EXPENDITURES</b>				
Current				
Instruction	1,334,666	1,424,211	1,448,909	(24,698)
Pupil personnel services	131,066	124,431	118,471	5,960
Instructional media services	31,990	34,510	32,286	2,224
Instruction and curriculum development	550	770	-	770
Instructional staff training	2,000	1,500	2,223	(723)
Board	12,400	18,750	18,750	-
General administration	38,736	38,415	38,415	-
School administration	374,107	440,301	423,325	16,976
Fiscal services	18,050	18,100	18,050	50
Food services	9,561	9,561	9,595	(34)
Pupil transportation services	59,000	73,035	73,026	9
Operation of plant	375,365	389,865	364,831	25,034
Maintenance of plant	45,366	40,365	42,009	(1,644)
Capital outlay	-	-	40,335	(40,335)
Debt service				
Principal	65,595	65,595	65,595	-
Interest	7,418	7,417	7,417	-
Total Expenditures	2,505,870	2,686,826	2,703,237	(16,411)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	33,030	(19,716)	(8,409)	11,307
<b>NET CHANGE IN FUND BALANCE</b>	33,030	(19,716)	(8,409)	11,307
<b>FUND BALANCE, July 1, 2015</b>	40,717	40,717	40,717	-
<b>FUND BALANCE, June 30, 2016</b>	<u>\$ 73,747</u>	<u>\$ 21,001</u>	<u>\$ 32,308</u>	<u>\$ 11,307</u>

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGET  
JUNE 30, 2016

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**NOTE 1 – BUDGETARY INFORMATION**

An annual budget was adopted for the General Fund on the modified accrual basis of accounting, and is used to account for the activity in the General Fund. Appropriations are controlled at the fund level. All annual appropriations lapse at fiscal year-end.

Expenditures exceeded appropriations in the General Fund in the amount of \$16,411. Revenues in excess of budget in the amount of \$27,718 were used to offset these excess expenditures.

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY – FRS  
JUNE 30, 2016

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FLORIDA RETIREMENT SYSTEM (FRS)  
Last Three Fiscal Years \*

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Charter School's proportion of the net pension liability	0.003043175%	0.003000817%	0.002765655%
Charter School's proportionate share of the net pension liability	\$ 523,866	\$ 183,094	\$ 357,221
Charter School's covered-employee payroll	\$ 1,392,448	\$ 1,338,335	\$ 1,362,604
Charter School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	38%	14%	26%
Plan fiduciary net position as a percentage of total pension liability	88.54%	96.09%	92.00%

\* – GASB No. 68 and 71 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
SCHEDULE OF THE CHARTER SCHOOL'S PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY – HIS  
JUNE 30, 2016

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Charter School's proportion of the net pension liability	0.004436435%	0.004686543%	0.004411320%
Charter School's proportionate share of the net pension liability	\$ 386,250	\$ 438,203	\$ 449,885
Charter School's covered-employee payroll	\$ 1,392,448	\$ 1,338,335	\$ 1,362,604
Charter School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	28%	33%	33%
Plan fiduciary net position as a percentage of total pension liability	1.78%	0.99%	0.50%

\* – GASB No. 68 and 71 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS – FRS  
JUNE 30, 2016

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FLORIDA RETIREMENT SYSTEM (FRS)  
Last Three Fiscal Years \*

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution **	\$ 40,952	\$ 65,731	\$ 67,429
Contributions in relation to the contractually required contribution	<u>40,952</u>	<u>65,731</u>	<u>67,429</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Charter School's covered-employee payroll	\$ 1,392,448	\$ 1,338,335	\$ 1,362,604
Contributions as a percentage of covered-employee payroll	2.94%	4.91%	4.95%

\* – GASB No. 68 and 71 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

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

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
SCHEDULE OF THE CHARTER SCHOOL'S CONTRIBUTIONS - HIS  
JUNE 30, 2016

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution **	\$ 14,533	\$ 16,055	\$ 16,863
Contributions in relation to the contractually required contribution	<u>14,533</u>	<u>16,055</u>	<u>16,863</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Charter School's covered-employee payroll	\$ 1,392,448	\$ 1,338,335	\$ 1,362,604
Contributions as a percentage of covered-employee payroll	1.04%	1.20%	1.24%

\* - GASB No. 68 and 71 was adopted in fiscal year 2015. Ultimately, this schedule will contain information for the last ten years.

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



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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016

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## ACTUARIAL METHODS AND ASSUMPTIONS

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

The total pension liability for each of the defined benefit plans was determined by an actuarial valuation as of July 1, 2015, and for the HIS plan as of July 1, 2014 and updated procedures were used to determine liabilities as of July 1, 2015. Both plans used the entry age normal actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth for both plans is assumed at 3.25%. Both the discount rate and the long-term expected rate of return used for FRS Pension Plan investments is 7.65%. The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. Because the HIS Program uses a pay-as-you-go funding structure, a municipal bond rate of 3.80% was used to determine the total pension liability for the program. Mortality assumptions for both plans were based on the Generational RP-2000 with Projection Scale BB tables.

The following changes in actuarial assumptions occurred in 2015:

- FRS: There were no changes in actuarial assumptions. The inflation rate remained at 2.60%, the real payroll growth assumption was retained at 0.65%, and the overall payroll growth rate assumption remained at 3.25%. The long-term expected rate of return remained at 7.65%.
- HIS: The municipal rate used to determine total pension liability decreased from 4.29% to 3.80%.

## OTHER SUPPLEMENTAL INFORMATION

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUND – AGENCY FUND  
FOR THE YEAR ENDED JUNE 30, 2016

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	<u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2016</u>
<b>ASSETS</b>				
Cash	\$ 8,931	\$ 37,457	\$ (37,213)	\$ 9,175
TOTAL ASSETS	<u>\$ 8,931</u>	<u>\$ 37,457</u>	<u>\$ (37,213)</u>	<u>\$ 9,175</u>
<b>LIABILITIES</b>				
Due to clubs	\$ 8,931	\$ 37,457	\$ (37,213)	\$ 9,175
TOTAL LIABILITIES	<u>\$ 8,931</u>	<u>\$ 37,457</u>	<u>\$ (37,213)</u>	<u>\$ 9,175</u>

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*

Board of Directors  
Student Leadership Academy of Venice, Inc.  
Venice, Florida

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the general fund, and the aggregate remaining fund information of Student Leadership Academy of Venice, Inc. (the "Charter School") (a Charter School and component unit of the School Board of Sarasota County, Florida), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Charter School's financial statements, and have issued our report thereon dated October 6, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Charter 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 Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 the Charter School'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Responses* as Finding 2016-01.

## Charter School's Response to Findings

The Charter School's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Responses*. The Charter School's response was not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## Purpose of this Report

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

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD,  
BRISTOW & STANELL, P.A.

October 6, 2016  
Bradenton, Florida



## MANAGEMENT LETTER

Board of Directors  
Student Leadership Academy of Venice, Inc.  
Venice, Florida

### Report on the Financial Statements

We have audited the financial statements of Student Leadership Academy of Venice, Inc. (the Charter School) (a Charter School and component unit of the School Board of Sarasota County, Florida) as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated October 6, 2016.

### Auditor's Responsibility

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

### Other Report and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and Schedule of Findings and Responses. Disclosures in that report and schedule, which are dated October 6, 2016, 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. The finding and recommendation made in the preceding annual financial report was not corrected and is included in the Schedule of Findings and Responses as 2016-01.

### Official Title

Section 10.854(1)(e)5., Rules of the Auditor General, requires the name or official title of the entity to be reported which is the Student Leadership Academy of Venice, Inc.

### 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 Charter School 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 Charter 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 Charter School. It is management's responsibility to monitor the Charter 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 the same.

### Transparency

Sections 10.854(e)7 and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the Charter School maintains on its website the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that the Charter School 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, as reported in Finding 2016-01 in the accompanying *Schedule of Findings and Responses*, we determined that the Charter School's expenditures exceeded the final approved budgeted amount for the General Fund.

### Purpose of this Letter

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

*Christopher, Smith, Leonard,  
Bristow & Stanell, P.A.*

CHRISTOPHER, SMITH, LEONARD  
BRISTOW & STANELL, P.A.

October 6, 2016  
Bradenton, Florida

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STUDENT LEADERSHIP ACADEMY OF VENICE, INC.  
A CHARTER SCHOOL AND COMPONENT UNIT OF  
THE SCHOOL BOARD OF SARASOTA COUNTY, FLORIDA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED JUNE 30, 2016

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**2016-01     Budget**

Finding 2016-01 is carried forward from Finding 2015-01.

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

**Condition:** Our audit procedures disclosed that the final amended budget did not provide adequate resources to fund all expenditures. As reported in the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual – General Fund, actual expenditures exceeded final budgeted expenditures in the amount of \$16,411. The excess was funded through unanticipated revenues.

**Context/Cause:** The final budget did not consider total expenditures at June 30, 2016 including any year-end adjustments.

**Effect:** The Charter School reported expenditures in excess of budget of \$16,411.

**Recommendation:** The fundamental purpose of budgetary control is to develop a financial plan and then maintain operations according to the plan. We recommend that the Charter School amend the budget throughout the year and subsequent to year end, to ensure that expenditures do not exceed appropriations as the budget serves as the Board's authorization to incur costs. The Charter School has up to 60 days after year-end to amend the budget.

**Management's Response:** The Charter School will follow these recommendations for the 2016-17 fiscal year.