

**Micanopy Middle School, Inc.**  
(A Component Unit of Alachua County School Board)

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**Audited Financial Statements**  
**For the Year Ended June 30, 2014**



**3816 Hollywood Boulevard, Suite 203**  
**Hollywood, Florida 33021**  
**Telephone: (954) 966-4435**  
**Facsimile: (954) 962-7747**

**Micanopy Middle School, Inc.**  
**(A component Unit of Alachua County School Board)**  
**Micanopy, Florida**

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**Audited Financial Statements**  
**For the Year Ended June 30, 2014**

**HCT Certified Public Accountants and Consultants, LLC**  
**3816 Hollywood Boulevard, Suite 203**  
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MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
MICANOPY, FLORIDA

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## **ORGANIZATION GOVERNANCE AND MANAGEMENT**

### **BOARD OF DIRECTORS**

Brandy Haney – *Chairperson*

David Reynaldo – *Member*

Yvette Hall – *Member*

Chris Stoke - *Member*

### **EXECUTIVE MANAGEMENT**

Bobby R. Johnson – *Principal*

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Micanopy Middle School, Inc.  
Micanopy, Florida

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Micanopy Middle School, Inc. (the "School"), a component unit of the Alachua County School Board, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Micanopy Middle School, Inc. as of June 30, 2014, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally acceptable in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 3-7 and pages 22-24 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Government 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 the 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 October 22, 2014, 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.

*HCT Certified Public Accountants & Consultants, LLC*

Hollywood, Florida  
October 22, 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis of the School's (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2014:

- ❖ The School's total net position was \$ 264,597.
- ❖ Total ending unrestricted net position was \$(7,419)
- ❖ The School had total expenditures for the year of \$407,997 compared to revenue of \$ 415,763, giving rise to an overall increase \$7,766.
- ❖ The School has a net deficit fund balance of \$(7,688) in the general fund.

## **OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

This annual report contains government-wide financial statements that report on the School's activities as a whole and fund financial statements that report on the School's individual funds.

### **Government-wide Financial Statements**

The first financial statement is the Statement of Net Position. This statement includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenue and expenses are recorded, regardless of when cash is received or paid. Net position – the difference between assets and liabilities – can be used to measure the School's financial position.

The second financial statement is the Statement of Activities. This statement is also shown using the accrual basis of accounting. It shows the increase and/or decrease in net position during the fiscal year. Over time, the increases or decreases in net assets are useful indicators of whether the School's financial health is improving or deteriorating. However, other non-financial factors, such as enrollment levels or changes in State funding, must also be considered when assessing the overall health of the School.

In these statements, all of the School's activities are considered to be governmental activities. The School has no business-type activities, which are generally financed in whole or in part by fees charged to external parties for goods and services.



## **Fund Financial Statements**

Following the government-wide financial statements are the fund financial statements. They provide more detailed information about the School's funds.

- ❖ **Governmental Funds** – These funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can be readily converted to cash. This provides a short-term view of the governmental fund's financial position, to help determine whether there are more or fewer financial resources that can be spent in the near term to finance the School's programs. Given that this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided with these statements. This information helps to explain the difference between the fund financial statements and the government-wide financial statements.

The School maintains two (3) major funds: the General, Special Revenue, and the Capital Projects Fund.

**General Fund** – All financial resources except those required to be reported in another fund.

**Special Revenue Fund** – The proceeds of specific revenue sources (other than major capital projects), which are restricted to expenditures for specified purposes.

**Capital Projects Fund** – Financial resources to be used for the acquisition and/or construction of major capital facilities, including capital outlays.

## **Notes to the 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.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Position

The following table's present condensed financial information derived from the government-wide financial statements comparing the current year to the prior year.

	2014	2013	% change
Non-Capital Assets	\$ 21,167	\$ 19,179	10.37%
Capital Assets, Net	483,981	507,587	-4.65%
<b>Total Assets</b>	<u>\$ 505,148</u>	<u>\$ 526,766</u>	-4.10%
Current Liabilities	65,913	53,685	22.78%
Non-Current Liabilities	174,638	216,250	-19.24%
<b>Total Liabilities</b>	<u>240,551</u>	<u>269,935</u>	-10.89%
Net Position			
Invested in capital assets, net of related debt	270,164	254,965	5.96%
Restricted	1,852	3,440	-46.16%
Unrestricted	(7,419)	(1,574)	371.35%
<b>Total Net Position</b>	<u>\$ 264,597</u>	<u>\$ 256,831</u>	3.02%

As noted previously, net assets may serve over time as a useful indicator of the School's financial position. The School's net assets totaled \$264,597 as of June 30, 2014. Of this amount \$270,164 has been invested in capital assets. The School uses the capital assets to provide services to the students.

The restricted balance represents monies that must be used for capital projects and the remaining unrestricted balance (if positive) may be used to meet the School's ongoing obligations to students.

## Statement of Activities

	2014	2013	Total Percentage Change
Revenues			
Florida Educational Finance Programs	\$ 331,834	\$ 372,295	-10.87%
Capital Grants and Contributions	29,666	-	100.00%
Title I	24,953	-	100.00%
Florida Trunaround Leadership Program	14,850	-	100.00%
Other Unrestricted Income	14,460	11,348	27.42%
Total Revenues	<u>\$ 415,763</u>	<u>\$ 383,643</u>	8.37%
Expenses			
Instruction	179,427	128,390	39.75%
General Support	228,570	250,620	-8.80%
Total Expenses	<u>407,997</u>	<u>379,010</u>	7.65%
Change in Net Position	7,766	4,714	64.74%
Beginning Net Position	256,831	252,117	1.87%
Ending Net Position	<u>\$ 264,597</u>	<u>\$ 256,831</u>	3.02%

## OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

### Governmental Activities

The governmental revenue was comprised of \$386,097 in general revenue and \$29,666 in capital projects revenue. Total expenditures reported in the funds equaled approximately \$407,997, resulting in a \$7,766 increase in net position

## THE SCHOOL'S INDIVIDUAL FUNDS

### General Fund

The General Fund's fund balance (deficit) was (\$7,688). The School generated additional revenue through gifts, grants and bequests in the current year. The School incurred approximately \$353,165 in operating expenditures.

### Special Revenue Fund

Special Revenue Fund revenue was \$39,875. Of that amount, \$37,863 was expended, leaving a fund balance of \$2,012.

## **Capital Projects Fund**

The Capital Projects Fund revenue was \$29,666. This was all expended for loan payments in the current fiscal year.

## **BUDGETARY HIGHLIGHTS**

### **General Fund**

Revenues received in the General Fund were granted by the Alachua County School Board for the fiscal year, therefore there were no variances. An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of the Florida Statutes. Budgets are presented on the modified accrual basis of accounting, the same basis of accounting that is used in the preparation of fund financial statements.

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Directors. The general fund budget for the fiscal year ended June 30, 2014 was reviewed by the Board quarterly. Actual expenditures did not exceed budgeted appropriations for the year ended June 30, 2014.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

There was no significant capital asset activity during 2014. At June 30, 2014 the School had \$726,006 invested in capital assets which included land, building and fixtures, fittings and equipment of which accumulated depreciation was \$242,025 giving a net book value of \$483,981. Please refer to Note 4 for more detailed information about the School's capital asset activity.

The School did not enter into any debt agreement during the fiscal period.

## **ECONOMIC FACTORS**

Economic factors that could affect the School's operations may include operational changes, limited classroom space, and the State's base student allocation. There are no significant economic factors that have or are expected to have, a significant effect on the School's financial position or results of operations.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances and to show the School's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Executive Director, 708 Northwest Okehumkee Street, Micanopy, Florida 32667.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Statement of Net Position  
June 30, 2014

	<b>Governmental Activities</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 16,635
Receivables	3,399
Prepaid and deposits	1,133
Capital assets	
(Net of accumulated depreciation of \$242,025)	483,981
Total assets	<u>\$ 505,148</u>
<b>Liabilities and Net Position</b>	
Accounts payable and accrued liabilities	24,153
Noncurrent liabilities:	
Due within one year:	
Loan payable	41,760
Due in more than one year:	
Loan payable	174,638
Total liabilities	240,551
Net position:	
Investment in fixed assets, net of related debt	270,164
Restricted for capital projects	1,852
Unrestricted	(7,419)
<b>Total net position</b>	<u>\$ 264,597</u>

See notes to the basic financial statements

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Statement of Activities  
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenue	Net (Expense)
		Capital Grants and Contributions	Revenue and Changes in Net Position
			Governmental Activities
Primary government:			
Governmental activities:			
Basic instruction	\$ 176,374	\$ -	\$ (176,374)
Other instruction	2,245	-	(2,245)
Instructional staff training services	808	-	(808)
School administration	130,984	-	(130,984)
Facilities acquisition & construction	4,108	29,666	25,558
Fiscal services	11,828	-	(11,828)
Pupil transportation services	9,809	-	(9,809)
Operation of plant	28,736	-	(28,736)
Maintenance of plant	4,500	-	(4,500)
Community services	1,298	-	(1,298)
Miscellaneous expenses	2,252	-	(2,252)
Depreciation cost	23,606	-	(23,606)
Interest on loan	11,449	-	(11,449)
<b>Total governmental activities</b>	<b>\$ 407,997</b>	<b>\$ 29,666</b>	<b>\$ (378,331)</b>
<b>General Revenue:</b>			
Title 1 grant			24,953
State source FTE			331,834
Florida Turnaround Leadership Program			14,850
Other income			14,460
<b>Total general revenue</b>			<b>386,097</b>
<b>Change in net position</b>			<b>7,766</b>
<b>Net position - beginning</b>			<b>256,831</b>
<b>Net position - ending</b>			<b>\$ 264,597</b>

See notes to the basic financial statements

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Balance Sheet  
Governmental Funds  
June 30, 2014

	<b>Major Funds</b>			<b>TOTAL GOVERNMENTAL FUNDS</b>
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>CAPITAL PROJECTS</b>	
<b>ASSETS:</b>				
Cash	\$ 13,090	1,260	\$ 1,452	\$ 15,802
Receivables	2,647	752	-	3,399
Prepaid and security deposits	733	-	400	1,133
<b>TOTAL ASSETS</b>	<b>16,470</b>	<b>2,012</b>	<b>1,852</b>	<b>20,334</b>
<b>LIABILITIES:</b>				
Accounts payable	9,150	-	-	9,150
Accrued liabilities	15,008	-	-	15,008
<b>TOTAL LIABILITIES</b>	<b>24,158</b>	<b>-</b>	<b>-</b>	<b>24,158</b>
<b>FUND BALANCE:</b>				
Nonspendable	733	-	400	1,133
Restricted	-	2,012	1,452	3,464
Unassigned	(8,421)	-	-	(8,421)
<b>TOTAL FUND BALANCE</b>	<b>(7,688)</b>	<b>2,012</b>	<b>1,852</b>	<b>(3,824)</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 16,470</b>	<b>\$ 2,012</b>	<b>\$ 1,852</b>	<b>\$ 20,334</b>

**Fund balances - total governmental funds** \$ (3,824)

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 as assets in governmental funds. The cost of the assets is \$ 726,006 and the accumulated depreciation is (\$ 242,025)	483,981
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds	(910)
Long-term liabilities and related deferred charges are not reported in the governmental funds.	
Long-term liabilities	(216,398)
Write off of debt issuance costs	1,748
<b>Net position of governmental activities</b>	<b>\$ 264,597</b>

See notes to the basic financial statements

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Statement of Revenue, Expenditure and Changes in Fund Balance (Deficit)  
Governmental Funds  
For the Year Ended June 30, 2014

	<b>Major Funds</b>			<b>TOTAL</b>
	<b>GENERAL</b>	<b>SPECIAL REVENUE</b>	<b>CAPITAL PROJECT</b>	<b>GOVERNMENTAL FUNDS</b>
<b>REVENUE</b>				
Title 1 grant	\$ -	\$ 24,953	\$ -	\$ 24,953
State source FTE	331,834	-	-	331,834
Florida Lead Program	1,333	-	-	1,333
Capital outlay fund	-	-	29,666	29,666
Gifts, grants & bequests	6,664	-	-	6,664
Florida Turnaround Leadership Program	-	14,850	-	14,850
Miscellaneous income	6,391	72	-	6,463
<b>TOTAL REVENUE</b>	<b>346,222</b>	<b>39,875</b>	<b>29,666</b>	<b>415,763</b>
<b>EXPENDITURES</b>				
Basic instruction	138,583	37,791	-	176,374
Other instruction	2,221	24	-	2,245
Instructional staff training services	760	48	-	808
School administration	130,984	-	-	130,984
Facilities acquisition & construction	4,108	-	-	4,108
Fiscal services	11,828	-	-	11,828
Pupil transportation services	9,809	-	-	9,809
Operation of plant	28,736	-	-	28,736
Maintenance of plant	4,500	-	-	4,500
Community services	1,298	-	-	1,298
Debt services:				
Principal	15,580	-	24,563	40,143
Interest	4,758	-	6,691	11,449
<b>TOTAL EXPENDITURES</b>	<b>353,165</b>	<b>37,863</b>	<b>31,254</b>	<b>422,282</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(6,943)</b>	<b>2,012</b>	<b>(1,588)</b>	<b>(6,519)</b>
<b>NET CHANGE IN FUND BALANCES</b>				
<b>FUND BALANCE, Beginning</b>	<b>(745)</b>	<b>-</b>	<b>3,440</b>	<b>2,695</b>
<b>FUND BALANCE, Ending</b>	<b>\$ (7,688)</b>	<b>\$ 2,012</b>	<b>\$ 1,852</b>	<b>\$ (3,824)</b>

See notes to the basic financial statements



MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Reconciliation of the Statement of Revenue, Expenditures And Changes in Fund Balances (Deficit) -  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2014

<b>Total net change in fund balances - governmental funds</b>	\$ (6,519)
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 depreciated over their estimated useful lives.	
Current year depreciation expense	(23,606)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Write off of loan acquisition costs per GASB 65	(1,748)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(504)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment does not effect net assets of governmental activities.	
principal payments	<u>40,143</u>
<b>Change in net position of governmental activities</b>	<u><u>\$ 7,766</u></u>

See notes to the basic financial statements

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 1 – DESCRIPTION OF REPORTING ENTITY**

**Reporting Entity**

Micanopy Middle School, Inc. is a not-for-profit corporation organized in 2001 pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as Micanopy Middle School, Inc. (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors, which is composed of four voting members

The general operating authority of the School is contained in Section 1002.33, Florida Statutes. The School operates under a charter of the sponsoring school district, the School Board of Alachua County, Florida (the “District”). The Charter requires the District to provide the primary funding for the School based upon the number of full-time equivalent students registered. The current charter is effective until June 30, 2017 and is renewable every 5 years, provided that a program review demonstrates that certain criteria addressed in section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8) (e), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown.

Criteria for determining if other entities are potential components units of the School that should be reported with the School’s basic financial statements are identified and described in the Governmental Accounting Standards Board’s (GASB) *Codification of Governmental Accounting and Financial Reporting Standards*, Sections 2100 and 2600. The application of these criteria provide for identification of any entities for which the School is financially accountable and other organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the Schools’ basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included with the reporting entity of the School.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The School follows GASB Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments*. The financial transactions of the School are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenue and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENTAL FUND TYPES**

The measurement focus of the Governmental Funds is upon determination of financial position and changes in financial position rather than upon net income. The following is a description of the Governmental Funds of the School:

**General Fund** – to account for all financial resources not required to be accounted for in another fund. The General fund serves as the primary operating unit of the School.

**Special Revenue Fund** – the proceeds of specific revenue sources (other than major capital projects), which are restricted to expenditures for specified purposes.

**Capital Projects Fund** – to account for all financial resources that are specifically restricted to expenditure for capital projects

In the accompanying fund financial statements, the General, Special Revenue, and Capital Projects funds are all considered to be major.

For the most part the effect of any interfund activity has been eliminated from the government-wide financial statements.

**NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES**

GASB Statement 34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide statement of net position.

**A- Basis of Accounting**

Basis of accounting refers to when revenue and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The Government-wide Financial Statements are presented on an accrual basis of accounting. The Governmental Fund Financial Statements are presented on a modified accrual basis.

The Government-wide Financial Statements are prepared using the economic resources measurement focus and full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental Fund Financial Statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become measurable and available. “Measurable”

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B- Basis of Accounting (Continued)**

means the amount of the transaction can be determined. 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. The School considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The School is accounted for as a governmental organization and follows the same accounting model as the School District’s governmental activities.

**C- Budgetary Basis of Accounting**

Budgets are prepared using the same modified accrual basis as is used to account for governmental funds.

**D- Cash and Cash Equivalents**

The School considers all demand accounts and money market funds which are not subject to withdrawal restrictions to be cash and cash equivalents. The School deposits its temporary idle resources in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2013, deposits did not exceed FDIC insurance limits of \$250,000. The School has not experienced any such losses in such accounts and does not believe that it has exposure to significant credit risk.

**E- Long-term obligations**

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net position. Debt issuance costs are expensed in the period in which the expenditure occurs.

**F- Capital Assets and Depreciation**

Expenditures for capital assets acquired for utilization at the School are reported in the governmental fund type that financed the acquisition. Donated Assets are recorded at fair value at the date of donation. The School’s capitalization threshold is \$500 for tangible personal property with an estimated useful life of greater than one year. Depreciation on all assets is provided on the straight-line basis over the estimated useful life and is reported in the government-wide financial statements.

Estimated useful lives:

<u>Assets</u>	<u>Years</u>
Furniture, Fixtures and Equipment	5 – 10
Buildings	30
Improvements	2 – 15

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G- Revenue Sources**

Revenue for current operations is received primarily from the District pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the charter and Florida Statutes, the School reports the number of full time equivalent ("FTE") students and related data to the District. Under the provision of Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education ("FDOE") for funding through the Florida Education Finance Program.

Funding for the School is adjusted during the year to reflect the revised calculation by the FDOE under the Florida Education Finance Program and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey periods.

The School received a Federal award for the enhancement of various education programs. This assistance is generally received based on applications submitted to and approved by the granting agency.

**H- Income Taxes**

The School is exempt from federal income taxes under Section 501(C)(3) of the Internal Revenue Code. Therefore, no provision for federal income taxes has been made in the accompanying financial statements.

**I- Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

**J- Fund Balance**

The GASB issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54) effective for reporting periods after June 15, 2010. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Balance (continued)

governmental fund-type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which an entity is bound to observe constraints imposed upon the use of resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five classifications: non-spendable, restricted, committed, assigned, and unassigned.

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Non-spendable Fund Balance—includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted Fund Balance—includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance—includes amounts that can only be used for the specific purposes determined by a formal action of the School’s highest level of decision-making authority. Commitments may be changed or lifted only by the School taking the same formal action that imposed the constraint originally (for example: resolution and ordinance).

Assigned Fund Balance—includes amounts intended to be used by the School for specific purposes that are neither restricted nor committed. Intent is expressed by (a) Board of Directors or (b) a body (a budget or finance committee) to which the assigned amounts are to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except negative amounts) that are not classified as non-spendable, restricted, or committed.

Unassigned Fund Balance—this classification is for the School’s General Fund and includes all spendable amounts not contained in the other classification, and therefore not subject to any constraints. Unassigned amounts are available for any purpose.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal agreements that prohibit doing this, such as grant agreements requiring dollar for dollar spending.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Fund Balance (Continued)

Additionally the School would first use committed fund balance, followed by assigned fund balance and then unassigned fund balance when expenditures are incurred for the purpose for which amounts in any unrestricted fund balance classifications could be used.

**NOTE 3 – DEPOSITS**

The School has elected to proceed under the Alternate Investment Guidelines as set forth in section 218.415 (17) Florida Statutes. The School may invest any surplus public funds in the following:

- a) The local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due.

**NOTE 4 – CAPITAL ASSETS**

The changes in capital asset are as follows:

	Balance 7/1/2013	Additions	Deletions	Balance 6/30/2014
Land	\$ 73,866	\$ -	\$ -	\$ 73,866
Improvements Other than Buildings	39,016	-	-	39,016
Building	589,973	-	-	589,973
Furniture, Fixtures and Equipment	19,519	-	728	18,791
Leasehold Improvements	4,360	-	-	4,360
	<u>726,734</u>	<u>-</u>	<u>728</u>	<u>726,006</u>
Accumulated Depreciation	(218,419)	(23,606)	-	(242,025)
Net Capital Asset	<u>\$ 508,315</u>	<u>\$ (23,606)</u>	<u>\$ 728</u>	<u>\$ 483,981</u>

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 5– LONG-TERM LIABILITIES**

At year end, the School’s long-term liability consists of a note payable to a financial institution, bearing fixed interest for the first five (5) years and then is subject to change based on the current average yield for United States Treasury securities having five years maturities, plus a spread of three hundred basis points. The original note of \$460,000 is secured by a mortgage on the real property and matures September 1, 2015. The loan is subject to certain financial covenants. As of June 30, 2014, the School was in breach of one of these financial covenants, however, a waiver was received from the lender.

A summary of changes in long-term liabilities is as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Notes Payable	\$ 256,541	\$ -	\$ 40,143	\$ 216,398	\$ 41,760

Future long-term debt obligation is provided below:

Year	Principal	Interest	Total
2015	42,108	8,606	50,714
2016	43,987	6,726	50,713
2017	45,951	4,763	50,714
2018	48,002	2,712	50,714
Thereafter	36,350	633	36,983
	<u>216,398</u>	<u>23,440</u>	<u>239,838</u>

**NOTE 6 – CONCENTRATIONS**

The School receives approximately 93% of its revenue from the District. These funds are subject to audit by the District and the State of Florida, the purpose of which is to ensure compliance with conditions precedent to funding. Any liabilities for reimbursement that may arise as a result of these audits are not reflected in the financial statements.

**NOTE 7 – FUND DEFICIT**

The School reported general fund balance deficit of (\$7,688). The School will correct this fund balance deficit by reducing expenditures in the general fund during the 2015 fiscal year.



MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 7 – RETIREMENT PROGRAM**

The Florida Retirement System (FRS) covers all regular employees of the School. The FRS offers employees a defined contribution program. The School is required to make contributions in accordance with rates established by the Florida Legislature. Essentially, all regular employees of participating employers are eligible and must enroll as member of FRS.

Most employees working for the School are covered by a State-administered cost-sharing multiple-employer defined benefit retirement plan (Plan) under FRS. Plan provisions are established by Chapters 121 and 112, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. The Plan also includes an early retirement provision but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for health-care insurance and, for certain employees, a supplement to cover social security benefits lost by virtue of retirement system membership.

**Funding Policy**

The contribution rates for Plan members are established and may be amended, by the State of Florida. During the fiscal year 2012-2013, contribution rates were as follows:

<u>Class or Plan</u>	<u>Percentage of Gross Salary</u>	
	<u>Employee</u>	<u>Employer (A)</u>
Florida Retirement System, Regular	3.00%	5.18%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rates include 1.20% for the post-employment health insurance supplement and 0.03% for administrative cost of the Public Optional Retirement Program.

(B) Contribution rates are dependent upon the retirement class in which employed.

The School's liability to the defined the defined contribution plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contribution to the defined contribution plan for the fiscal years ended June 30, 2014, 2013 and 2012 totaled \$11,632, \$11,449 and \$9,814, respectively.

**NOTE 8 – RISK MANAGEMENT PROGRAMS**

Worker's compensation and general liability coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not exceeded commercial coverage limits within the last three years.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Basic Financial Statements  
Year Ended June 30, 2014

**NOTE 9 – LOAN ISSUANCE COSTS**

In March 2012, the GASB issued GASB Statement No. 65 – Items Previously Reported as Assets and Liabilities (GASB 65). This statement provided clarifying guidance on either (a) classification of items that were previously reported as assets and liabilities but are now reported as deferred outflows and inflows, or (b) recognizing certain items that were previously reported as assets and liabilities but are now recognized as outflows of resources (expenses or expenditures) or inflows (revenues). GASB 65 is effective for periods beginning after December 15, 2012.

GASB 65 also addresses costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt; they should instead be recognized as an expense in the period incurred. At the time that the School's long term debt was issued, the School incurred loan acquisition costs of \$13,666 which has been amortized since 2005. To comply with GASB 65, the School has written off \$1,748, which is the balance of the unamortized loan costs.

**NOTE 10– MANAGEMENT REVIEW AND SUBSEQUENT EVENT**

The School has evaluated events and transactions for subsequent events that would impact financial statements for the year ended June 30, 2014 through October 22, 2014, the date the financial statements were available to be issued. The following subsequent event is required to be disclosed in the financial statements.

**Note payable**

On October 9, 2014 the School entered in to a new loan agreement with a bank to obtain new financing with less restrictive covenants than the previous note payable. The loan is in the amount of \$240,000, with interest payable at 11% per annum. Monthly payments of principal and interest are due in the approximate amount of \$2,952 over a period of twenty-five (25) years. The loan will be used to pay off the existing mortgage payable.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance-Budget and Actual – General Fund  
For the Year Ended June 30, 2014

	<b>GENERAL FUND</b>		<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL AND FINAL BUDGET</b>	<b>ACTUAL</b>	
<b>REVENUE</b>			
State source FTE	\$ 329,101	\$ 331,834	\$ 2,733
Florida lead program	1,333	1,333	-
Gifts, grants & bequests	6,664	6,664	-
Other income	-	-	-
Interest income	-	-	-
Miscellaneous income	6,391	6,391	-
<b>TOTAL REVENUE</b>	<u>343,489</u>	<u>346,222</u>	<u>2,733</u>
<b>EXPENDITURES</b>			
Basic instruction	138,654	138,583	71
Other instruction	2,221	2,221	-
Instructional staff training services	760	760	-
School administration	130,984	130,984	-
Facilities acquisition & construction	4,108	4,108	-
Fiscal services	11,828	11,828	-
Pupil transportation services	9,809	9,809	-
Operation of plant	28,736	28,736	-
Maintenance of plant	4,500	4,500	-
Community services	1,298	1,298	-
Debt services: Principal	15,580	15,580	-
Debt services: Interest	4,758	4,758	-
<b>TOTAL EXPENDITURES</b>	<u>353,236</u>	<u>353,165</u>	<u>71</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>\$ (9,747)</u>	<u>\$ (6,943)</u>	<u>\$ 2,804</u>

See notes to required supplementary information budgetary comparison schedule.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Schedule of Revenue, Expenditures and Changes in  
Fund Balance-Budget and Actual – Special Revenue Fund  
For the Year Ended June 30, 2014

	<b>SPECIAL REVENUE</b>		<b>VARIANCE FAVORABLE (UNFAVORABLE)</b>
	<b>ORIGINAL AND FINAL BUDGET</b>	<b>ACTUAL</b>	
<b>REVENUE</b>			
Title 1 grant	\$ 24,953	\$ 24,953	\$ -
Stipend	72	72	-
Florida turnaround leadership program	14,850	14,850	-
<b>TOTAL REVENUE</b>	<u>39,875</u>	<u>39,875</u>	<u>-</u>
<b>EXPENDITURES</b>			
Basic instruction	37,744	37,744	-
Other instruction	72	72	-
Instructional Staff Training Services	-	48	(48)
<b>TOTAL EXPENDITURES</b>	<u>37,816</u>	<u>37,864</u>	<u>(48)</u>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<u>\$ 2,059</u>	<u>\$ 2,011</u>	<u>\$ (48)</u>

See notes to required supplementary information budgetary comparison schedule.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Notes to the Budgetary Schedules  
Year Ended June 30, 2014

**NOTE 1 – BUDGETARY BASIS OF ACCOUNTING**

An operating budget is adopted and maintained by the governing board for the School pursuant to the requirements of the Florida Statutes. Budgets are presented on the modified accrual basis of accounting, the same basis of accounting that is used in the preparation of fund financial statements.

The legal level of budgetary control, the level at which expenditures may not exceed budget, is in the aggregate. Any budget amendments that increase the aggregate budgeted appropriations must be approved by the Board of Directors. The general fund budget for the fiscal year ended June 30, 2014 did not exceed appropriations in the aggregate.

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## **COMPLIANCE SECTION**

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

To the Board of Directors and Management  
Micanopy Middle School, Inc.

We have audited, in accordance with accounting standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Micanopy Middle School, Inc., a Component of Alachua County School Board, (the School), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 22, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the report to management as item **2014-1; 2014-2** and **2014-3**.

## **The School's Response to Findings**

The School's response to the findings identified in our audit is described in the accompanying report to management. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

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

*HCT Certified Public Accountants & Consultants, LLC*

Hollywood, Florida  
October 22, 2014

**MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE  
AUDITOR GENERAL OF THE STATE OF FLORIDA**

To the Board of Directors  
Micanopy Middle School, Inc.

**Report on the Financial Statements**

We have audited the financial statements of Micanopy Middle School, Inc., a Component Unit of Alachua County School Board, (the School) as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated October 22, 2014.

**Auditor's Responsibility**

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.

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

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 dated October 22, 2014, and 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. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial statement, except as noted below:

Tabulation of Uncorrected Audit Findings	
Current Year Finding Number	2012-13 FY Finding Number
<b>2014-2</b>	<b>2013-2</b>

West Palm Beach  
Phone (561) 655-2664

Miami  
Phone (305) 331-8768

Hollywood  
Phone (954) 966-4435

## **Financial Condition**

Sections 10.854(1)(e)2, and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not the 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 School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, require that we apply 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.

## **Transparency**

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine 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 is not maintaining on its Web site most of the information specified in Section 1002.33(9)(p), Florida Statutes. Specifically, the school is missing the following elements: the names of the governing board members; the programs at the school; any management companies, service providers, or education management corporations associated with the school; the school's annual budget and its annual independent fiscal audit; and, on a quarterly basis, the minutes of governing board meetings. See findings **2014-1 and 2014-3**.

## **Other Matters**

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

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we had a finding listed as 2014-1 in the schedule of findings.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is Micanopy Middle School, Inc.

**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 is not intended to be and should not be used by anyone other than these specified parties.

We wish to thank the School and the personnel associated with it, for the opportunity to be of service to them in this endeavor as well as future engagements and the courtesies extended to us.

*HCT Certified Public Accountants & Consultants, LLC*

Hollywood, Florida  
October 22, 2014

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Schedule of Findings  
For The Year Ended June 30, 2014

**I. Prior year findings and status**

**Compliance**

**2013-1 – Expenditures exceed budgeted appropriations – Matter resolved.**

**2013-2 - Financial loan covenants – Matter repeated.**

**II. Current year findings and recommendations**

**Compliance and other matters**

**2014-1 – Board of Directors does not approve a balanced budget and properly amend the budget during the fiscal period**

Criteria: The budget for each fund should balance and all amendments should be formally approved by the board.

Condition: The School does not have a formal budget process whereby the Board approves a balanced budget by the beginning of the fiscal year. The Board also does not formally amend the budget if it becomes necessary, ensuring that the expenditures do not exceed revenues without another funding source being available.

Cause: The school failed to prepare a balanced budget at the beginning of the fiscal year and amend the budget appropriately when it became necessary, thereby causing expenditures to exceed revenues.

Effect: Uninformed decisions regarding appropriations may be made leading to increased expenditures and a fund balance deficit.

Recommendation: The School should prepare a balanced budget at the beginning of the fiscal year and to properly amend the budget during the fiscal reporting period to ensure that all expenditures are properly accounted for.

Management response: The Micanopy Middle School Board did approve the yearly budget, but it was not in the Minutes because there was not a quorum and they could not be voted upon. In the future, the Florida Statute will be strictly adhered to.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Schedule of Findings  
For The Year Ended June 30, 2014

**II. Current year findings and recommendations (continued)**

**Compliance and other matters (continued)**

**2014-2 Financial loan covenants**

Criteria: Under the loan agreement that the School has entered into, there is a requirement to meet certain financial covenants relating to liquidity.

Condition: The school did not meet either of its required covenant calculations under the loan agreement

Cause: Management failed to realize that there was a reporting requirement regarding the loan covenant calculations and therefore failed to report these failures to the lender

Effect: A waiver was received from the lender. However, the breach of the financial covenants could have caused the loan to become current and due in full, placing the School in a difficult financial position.

Recommendation: We recommend that management monitor these financial covenants on a quarterly basis to see if any improvements can be made so that they are met in future. We also recommend that management contact the lender prior to the year end if the covenants will not be met so that a waiver be received or a modification to the original calculation can be made to allow the School to meet the requirement.

Management response: The School addressed the issue by securing another loan which will give the school more financial flexibility. In the future, the school will be in compliance with the Florida State Statutes.

MICANOPY MIDDLE SCHOOL, INC.  
(A Component Unit of Alachua County School Board)  
Schedule of Findings  
For The Year Ended June 30, 2014

**II. Current year findings and recommendations (continued)**

**Compliance and other matters (continued)**

**2014-3 Transparency**

Criteria: Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether the School maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Condition: The School is not maintaining on its Web site most of the information specified in Section 1002.33(9)(p), Florida Statutes. Specifically, the school is missing the following elements: the names of the governing board members; the programs at the school; any management companies, service providers, or education management corporations associated with the school; the school's annual budget and its annual independent fiscal audit; and, on a quarterly basis, the minutes of governing board meetings.

Cause: Management failed to realize that there was a web site requirement under the transparency rules.

Effect: The School is not compliant with Section 1002.33(9)(p), Florida Statutes.

Recommendation: We recommend that management add the required information to its web site as soon as possible.

Management response: Some of the missing information was in fact on the school website; including the board member information and programs at the school. The annual budget, the school's annual independent fiscal audit, and quarterly School Board Minutes will be added to the website immediately.