A decorative border of colored pencils surrounds the text. The pencils are arranged in a rectangular frame. The top row has four pencils: brown, green, red, and blue. The right side has two pencils: blue and yellow. The bottom row has three pencils: brown, yellow, and blue. The left side has four pencils: yellow, blue, red, and green.

**Micanopy Academy, Inc.**

*A Component Unit of the Alachua County District School Board*

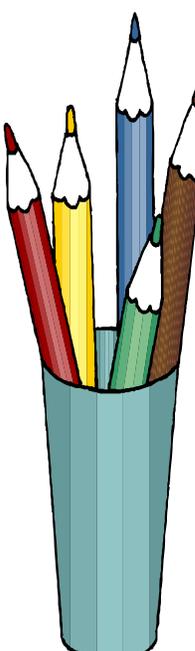
Financial Statements  
And  
Independent Auditors' Reports

**June 30, 2018**

**KATTELL AND COMPANY, P.L.**

*Certified Public Accountants Serving the Nonprofit Community*

**808-B NW 16<sup>th</sup> Avenue  
Gainesville, Florida 32601  
(352) 395-6565**

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**Financial Statements and Independent Auditors' Reports**  
**June 30, 2018**  
**Micanopy Academy, Inc.**  
*A Component Unit of the Alachua County District School Board*

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# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

808-B NW 16<sup>th</sup> Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 www.kattell.com

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Micanopy Academy, Inc.

October 8, 2018

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Micanopy Academy, Inc. (the School), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements.** Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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.

**Auditors' 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 required 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 and each major fund of the School as of June 30, 2018, and the respective changes in financial position thereof 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 accepted in the United States of America require that management's discussion and analysis, budgetary comparison schedules, and certain pension related information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 8, 2018, on our consideration of the School's internal control over financial reporting (internal control) 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 and compliance and the results of that testing, and not to provide an opinion on the internal control 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 and compliance.

*Kattell and Company, P.L.*

# **Management's Discussion and Analysis**

**June 30, 2018**

## **Micanopy Academy, Inc.**

*A Component Unit of the Alachua County District School Board*

This discussion and analysis of the School's financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2018:

- The School's overall Net Position decreased by approximately \$3,000, which is about 5%.
- Total ending unrestricted Net Position was a deficit of approximately \$93,000.
- The School had total expenses for the year of about \$439,000 compared to revenues of approximately \$436,000.
- The School educated 63 students in 2018, serving grades 6-10, and 60 students in 2017, serving grades 6-9.

### **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 deferred outflows and liabilities and deferred inflows using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year revenues and expenses are recorded, regardless of when cash is received or paid. Net Position – the difference between assets and deferred outflows and liabilities and deferred inflows – 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 increases and decreases in Net Position during the fiscal year. Over time, the increases or decreases in Net Position 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 or 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.

The School maintains three individual governmental funds, the General Fund, Special Revenue Fund and Capital Projects Fund. The General Fund, Special Revenue Fund and Capital Projects Fund are considered to be major funds and, accordingly, they are separately displayed.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the fund's financial position. A reconciliation is provided with these statements, which helps to explain the differences between the fund financial statements and the government-wide financial statements.

# Management's Discussion and Analysis

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

### CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net position and changes in net position for governmental activities.

	2018	2017
<b>Net Position</b>		
Assets:		
Non-capital Assets	\$ 66,427	\$ 14,344
Capital Assets, Net	458,942	414,377
Total Assets	<u>525,369</u>	<u>428,721</u>
Deferred Outflows	<u>160,882</u>	<u>98,791</u>
Liabilities:		
Current Liabilities	6,010	3,532
Short-term Debt	74,495	--
Long-term Liabilities	232,018	234,569
Net Pension Liability	279,565	197,704
Total Liabilities	<u>592,088</u>	<u>435,805</u>
Deferred Inflows	<u>34,472</u>	<u>29,083</u>
Net Position:		
Net Investment in Capital Assets	152,429	179,808
Unrestricted (deficit)	(92,738)	(117,184)
Total Net Position	<u>\$ 59,691</u>	<u>\$ 62,624</u>
<b>Change in Net Position</b>		
Program Revenues:		
Charges for Services	\$ 4,597	\$ 1,672
Capital Grants & Contributions	35,646	9,944
General Revenues:		
Title 1 Grant	--	28,781
Florida Education Finance Program	363,390	344,682
Other State Revenues	26,645	1,060
Other Revenues	5,739	11,333
Total Revenues	<u>436,017</u>	<u>397,472</u>
Program Expenses:		
Instruction	211,904	176,413
Instructional Support Services	1,263	3,012
General Support	155,221	169,287
Community Service	1,131	1,495
Operation of Plant	40,637	38,041
Interest on Long-term Debt	28,794	25,941
Total Expenses	<u>438,950</u>	<u>414,189</u>
Change in Net Position	(2,933)	(16,717)
Beginning Net Position:	<u>62,624</u>	<u>79,341</u>
Ending Net Position	<u>\$ 59,691</u>	<u>\$ 62,624</u>

# Management's Discussion and Analysis

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

### OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

**Governmental Activities.** The governmental activities generated \$40,243 in program revenues and \$395,774 of general revenues, and incurred \$438,950 of program expenses. This resulted in a \$2,933 decrease in net position.

### THE SCHOOL'S INDIVIDUAL FUNDS

**General Fund.** The fund balance of the General Fund decreased by \$24,890 from \$10,812 to \$(14,078.)

**Special Revenue Fund.** The fund balance of the Special Revenue Fund remained at \$0; the School received no Title I Finding during the year.

**Capital Projects Fund.** The fund balance of the Capital Projects Fund remained at \$0, which means all capital outlay grant funds were expended on eligible costs during the year.

### BUDGETARY HIGHLIGHTS

**General Fund.** There were no significant changes to the original budget. There were no differences between the final budget and actual amounts.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets.** The School purchased a modular building for additional classroom space. Please refer to a note to the accompanying financial statements entitled *Capital Assets and Depreciation* for more detailed information about the School's capital asset activity.

**Debt Administration.** The School entered into a factoring agreement during the year, selling future revenues for current working capital. The School made scheduled payments on existing long-term debt. Please refer to the notes to the accompanying financial statements entitled *Short-Term Debt* and *Long-Term Liabilities* for more detailed information about the School's debt activity.

### ECONOMIC FACTORS

The School currently is not aware of any conditions that are expected to have a significant effect on the School's financial position or results of operations.

### CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

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 financial information, contact Ms. Tara Lowe-Phillips, Principal, Micanopy Academy, Inc. at 708 NW Okehumkee Street, Micanopy, FL 32667.

# Statement of Net Position

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

	Governmental Activities
<b>Assets:</b>	
Cash	\$ 64,569
Grants Receivable	977
Deposits	400
Prepaid Expenses	481
Capital Assets:	
Land	73,866
Construction in Progress	67,025
Depreciable Capital Assets, Net	<u>318,051</u>
<b>Total Assets</b>	<b><u>525,369</u></b>
<b>Deferred Outflows</b>	<b><u>160,882</u></b>
Liabilities:	
Accounts Payable	6,010
Short-Term Debt	74,495
Long-Term Debt:	
Due Within One Year	2,846
Due In More Than One Year	229,172
Net Pension Liability	<u>279,565</u>
<b>Total Liabilities</b>	<b><u>592,088</u></b>
<b>Deferred Inflows</b>	<b><u>34,472</u></b>
Net Assets:	
Net Investment in Capital Assets	152,429
Unrestricted (deficit)	<u>(92,738)</u>
<b>Total Net Position</b>	<b><u><u>\$ 59,691</u></u></b>

See accompanying notes.

**Statement of Activities**  
**For the Year Ended June 30, 2018**  
**Micanopy Academy, Inc.**  
*A Component Unit of the Alachua County District School Board*

<b>Functions/Programs:</b>	Program Revenues			Net (Expense) Revenue and Change in Net Position	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
Governmental Activities:					
Instruction	\$ (211,904)	\$ 2,484	\$ --	\$ --	\$ (209,420)
Instructional Support Services	(1,263)	--	--	--	(1,263)
General Support	(155,221)	2,113	--	26,951	(126,157)
Community Services	(1,131)	--	--	--	(1,131)
Operation of Plant	(40,637)	--	--	--	(40,637)
Interest on Long-Term Debt	(28,794)	--	--	8,695	(20,099)
<b>Total</b>	<b>\$ (438,950)</b>	<b>\$ 4,597</b>	<b>\$ --</b>	<b>\$ 35,646</b>	<b>(398,707)</b>

**General Revenues:**

State Revenue:	
Florida Education Finance Program	363,390
Other State Revenue	26,645
Unrestricted Grants and Contributions	4,556
Other Miscellaneous Local Sources	1,183
<b>Total General Revenues</b>	<b>395,774</b>
<b>Change in Net Position</b>	<b>(2,933)</b>
<b>Net Position – Beginning of Year</b>	<b>62,624</b>
<b>Net Position – End of Year</b>	<b>\$ 59,691</b>

See accompanying notes.

## Balance Sheet – Governmental Funds

June 30, 2018

### Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 64,569	\$ --	\$ --	\$ 64,569
Grants Receivable	977	--	--	977
Deposits	400	--	--	400
Prepaid Expenses	481	--	--	481
<b>Total Assets</b>	<b>\$ 66,427</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 66,427</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts Payable	\$ 6,010	\$ --	\$ --	\$ 6,010
Short-Term Debt	74,495	--	--	74,495
	80,505			80,505
Fund Balances:				
Non-Spendable – Deposits	400	--	--	400
Non-Spendable – Prepaid Expenses	481	--	--	481
Unassigned	(14,959)	--	--	(14,959)
Total Fund Balances	(14,078)	--	--	(14,078)
<b>Total Liabilities and Fund Balances</b>	<b>\$ 66,427</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ 66,427</b>

See accompanying notes.

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

**June 30, 2018**

**Micanopy Academy, Inc.**

*A Component Unit of the Alachua County District School Board*

**Fund Balances – Total Governmental Funds** \$ (14,078)

Amounts reported for Governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not reported in the governmental funds.

Capital Assets – Net of Accumulated Depreciation 458,942

Long-term liabilities are not due and payable in the current period and so are not reported as fund liabilities, but are included in the statement of net position.

Long-Term Liabilities (232,018)

Accounting for the School’s participation in the Florida Retirement System – the following amounts are reported in the Government-wide Statements (see Note 5):

Deferred Outflows 160,882

Deferred Inflows (34,472)

Net Pension Liability (279,565)

**Net Position of Governmental Activities** \$ 59,691

See accompanying notes.

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

**For the Year Ended June 30, 2018**

**Micanopy Academy, Inc.**

*A Component Unit of the Alachua County District School Board*

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
<b>Revenues</b>				
State Revenue:				
Florida Education Finance Program	\$ 363,390	\$ --	\$ --	\$ 363,390
Public Education Capital Outlay	--	--	6,796	6,796
Other State Revenues	26,645	--	--	26,645
Local Revenue:				
Local Capital Improvements Revenue	--	--	28,850	28,850
Gifts, Grants and Bequests	4,556	--	--	4,556
Other Local Revenues	5,780	--	--	5,780
<b>Total Revenues</b>	<b>400,371</b>	<b>--</b>	<b>35,646</b>	<b>436,017</b>
<b>Expenditures and Changes in Fund Balances</b>				
<b>Expenditures:</b>				
Current:				
Instruction	196,270	--	--	196,270
Instructional Support Services	1,263	--	--	1,263
General Support Services	163,310	--	26,951	190,261
Community Services	1,131	--	--	1,131
Operation of Plant	40,637	--	--	40,637
Debt Service:				
Principal	1,460	--	1,091	2,551
Interest	21,190	--	7,604	28,794
<b>Total Expenditures</b>	<b>425,261</b>	<b>--</b>	<b>35,646</b>	<b>460,907</b>
<b>Excess of Expenditures Over Revenues</b>	<b>(24,890)</b>	<b>--</b>	<b>--</b>	<b>(24,890)</b>
<b>Fund Balances, July 1, 2017</b>	<b>10,812</b>	<b>--</b>	<b>--</b>	<b>10,812</b>
<b>Fund Balances, June 30, 2018</b>	<b>\$ (14,078)</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ (14,078)</b>

See accompanying notes.

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

**For the Year Ended June 30, 2018**

**Micanopy Academy, Inc.**

*A Component Unit of the Alachua County District School Board*

**Excess of Expenditures over Revenues – Total Governmental Funds** \$ (24,890)

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 Expenditures for Capital Assets	67,025
Current Year Depreciation Expense	(22,460)

Issuance of long term debt provides current financial resources to governmental funds, but has no effect on net position. Repayment of principal is an expenditure in governmental funds, but reduces long-term liabilities in the Statement of Net Position.

Current Year Principal Payments	2,551
---------------------------------	-------

Accounting for the School's participation in the Florida Retirement System: Adjustment of Required Contribution to Net Pension Expense	(25,159)
---	----------

**Change in Net Position of Governmental Activities** **\$ (2,933)**

See accompanying notes.

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

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

The accounting policies of Micanopy Academy, Inc. conform to generally accepted accounting principles as applicable to governments. The more significant accounting policies are described below to enhance the usefulness of the financial statements to the reader.

#### Reporting Entity

As of February 27, 2018, Micanopy Middle School, Inc. officially changed its name to Micanopy Academy, Inc.

Micanopy Academy, Inc. is a not-for-profit corporation organized 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 Academy (the School). The governing body of the School is the not-for-profit corporation's Board of Directors.

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 Alachua County District School Board (the District). The current charter is effective until June 30, 2022, and may be renewed 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. The School is considered a component unit of the District.

Criteria for determining if other entities are potential component units of the School which 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 School's basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included within the reporting entity of the School.

#### Government-wide Financial Statements

The government-wide financial statements (the Statement of Net Position and the Statement of Activities) report information on all of the activities of the School. Governmental activities are reported separately from business-type activities, which rely on fees charged to external parties as their primary revenues. The School has no business-type activities.

Any internal inter-fund activity has been eliminated from the government-wide financial statements.

The Statement of Net Position reports the School's financial position as of the end of the fiscal year. In this statement, the School's Net Position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities is displayed using a net-cost format and reports the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for services that are directly related to a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

#### Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. The governmental fund statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following funds are used by the School:

#### GOVERNMENTAL FUNDS

General Fund – The General Fund is the general operating fund of the School. It is used to account for all financial resources, except those associated with grants that are restricted to specified uses.

Special Revenue Fund – The Special Revenue Fund is used to account for financial resources associated with grants that are restricted to operational uses.

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources associated with grants that are restricted to capital uses.

In the accompanying fund financial statements, the General Fund, Special Revenue Fund and Capital Projects Fund are all considered to be major funds and, therefore, are separately displayed. The School has no non-major funds.

#### Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due. Most revenues are considered to be susceptible to accrual and have been measured in the current fiscal period. Certain other revenue items are considered to be measurable and available only when cash is received.

#### Cash and Cash Equivalents

Cash consists of deposits in financial institutions. Such deposits qualify as public deposits and are insured by Florida's Public Deposits Program as defined in Section 280.02, Florida Statutes. The School has no policy regarding deposit custodial credit risk.

#### Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid assets, if any, are reported as "non-spendable" in the funds financial statements to indicate that prepaids do not represent available expendable resources.

#### Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$2,500 or more and an estimated useful life of more than one year. These assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value on the date of donation. Depreciable capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building Improvements	5-7
Improvements Other Than Buildings	15

#### Compensated Absences

The School does not pay employees for unused sick or vacation time, and unused time does not accumulate. Therefore, no liability for compensated absences is recorded.

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Long-term liabilities are not reported in the governmental funds because governmental funds use the current financial resources measurement focus.

#### Revenue Sources

Revenues for current operations are 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 provisions 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 calculations by the FDOE under the Florida Educational Finance Program and the actual weighted FTE students reported by the School during the designated full-time equivalent student survey periods.

The School also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

#### Net Position

Net Position represents the difference between assets and deferred outflows and liabilities and deferred inflows and is reported in three categories as hereafter described. *Net investment in capital assets* represents capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net Position is reported as *restricted* when there are legal limitations imposed on their use by legislation, or external restrictions imposed by other governments, creditors, or grantors. *Unrestricted* Net Position is Net Position that does not meet the definition of the classifications previously described.

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

#### Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

**Non-Spendable.** The non-spendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

**Restricted.** The restricted fund balance is defined as having restrictions (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed.** Committed fund balance is defined as amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the School's Board of Directors.

**Assigned.** Assigned fund balance is defined as amounts that are constrained by the intent of the School's Board of Directors to be used for specific purposes, but are neither restricted nor committed. The School has given the authority to assign fund balance to the School's Principal. Assigned fund balance includes spendable fund balance amounts established by the Principal that are intended to be used for specific purposes that are neither considered restricted or committed. Assignment of fund balance may be (a) made for a specific purpose that is narrower than the general purposes of the government itself; and/or (b) used to reflect the appropriation of a portion of existing unassigned fund balance to eliminate a projected deficit in the subsequent year's budget in an amount no greater than the projected excess of expected expenditures over expected revenues. Assigned fund balance shall reflect management's intended use of resources as set forth each year by the Principal. Assigned fund balance may or may not be appropriated for expenditure in the subsequent year depending on the timing of the project/reserve for which it was assigned.

**Unassigned.** Unassigned fund balance is the residual classification for the general fund.

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

A Component Unit of the Alachua County District School Board

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

#### Fund Balance Classifications (concluded)

It is the policy of the School to use restricted resources to the extent which they are available, then committed resources, followed by assigned resources. Once these are consumed the School will then use unassigned resources. The School does not have a formal policy requiring a minimum fund balance.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make various estimates. Actual results could differ from those estimates.

#### 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) and the Health Insurance Subsidy (HIS), and additions to/deductions from the FRS and HIS fiduciary net position have been determined on the same basis as they are reported by the FRS and the HIS plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Capital Assets not Being Depreciated:				
Land	\$ 73,866	\$ --	\$ --	\$ 73,866
Construction in Progress	--	67,025	--	67,025
Capital Assets Being Depreciated:				
Buildings	589,973	--	--	589,973
Building Improvements	4,929	--	--	4,929
Improvements Other Than Buildings	39,016	--	--	39,016
Total Capital Assets	<u>707,784</u>	<u>67,025</u>	<u>--</u>	<u>774,809</u>
Accumulated Depreciation:				
Buildings	255,656	19,665	--	275,321
Building Improvements	4,389	194	--	4,583
Improvements Other Than Buildings	33,362	2,601	--	35,963
Total Accumulated Depreciation	<u>293,407</u>	<u>22,460</u>	<u>--</u>	<u>315,867</u>
Net Capital Assets	<u>\$ 414,377</u>	<u>\$ 44,565</u>	<u>\$ --</u>	<u>\$ 458,942</u>

Depreciation was charged to functions/programs as follows:

Instruction	\$ --
General Support	<u>22,460</u>
Total Depreciation Expense	<u>\$ 22,460</u>

### NOTE 3 – RISK MANAGEMENT

The School is exposed to various risks of loss, including general liability, personal injury, workers compensation, and errors and omissions. To manage its risks, the School has purchased commercial insurance. Settled claims resulting from these risks have not exceeded commercial coverage in the current and previous two years.

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

### NOTE 4 - SHORT-TERM DEBT

On June 6, 2018, the School entered into a factoring agreement for \$70,000 in funds to be used to purchase a modular classroom building. The assets sold were a portion of four Florida Education Finance Program (FEFP) revenues to be received from the Alachua County District School Board. Fees and discount rates were applied to these payments, resulting in a total to be paid of \$74,495. The maturity date is October 15, 2018. The payments are due as follows:

<u>Due Date</u>	<u>Estimated Revenue</u>	<u>Amount Pledged</u>	<u>Administration Fee and Discount</u>	<u>Amount Funded</u>
July 13, 2018	\$ 25,956	\$ 20,495	\$ 787	\$ 19,708
August 14, 2018	25,957	18,000	981	17,019
September 14, 2018	37,335	18,000	1,231	16,769
October 15, 2018	37,000	18,000	1,496	16,504
	<u>\$ 126,248</u>	<u>\$ 74,495</u>	<u>\$ 4,495</u>	<u>\$ 70,000</u>

### NOTE 5 - LONG-TERM LIABILITIES

Long-term debt activity for the year ended June 30, 2018, was as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2018</u>	<u>Due Within One Year</u>
Note Payable - Facilities	\$ 234,569	\$ --	\$ 2,551	\$ 232,018	\$ 2,846

On October 29, 2014, the School borrowed \$240,000 to refinance the acquisition of its facility. The note is collateralized by the School's real property (land and building) and is payable in monthly installments of \$2,352, with an 11.00% interest rate, maturing in November 2039.

The scheduled debt service requirements are as follows:

<u>Fiscal Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 2,846	\$ 25,381	\$ 28,227
2020	3,175	25,052	28,227
2021	3,543	24,684	28,227
2022	3,952	24,275	28,227
2023	4,410	23,817	28,227
2024-2028	30,993	110,143	141,136
2029-2033	53,584	87,552	141,136
2034-2038	92,642	48,494	141,136
2039-2040	36,873	3,116	39,989
Total	<u>\$ 232,018</u>	<u>\$ 372,514</u>	<u>\$ 604,532</u>

### NOTE 6 - EMPLOYEE RETIREMENT PLAN

The Florida Department of Management Services, Division of Retirement (Division), is part of the primary government of the state of Florida and is responsible for administering the Florida Retirement System Pension Plan and Other State-Administered Systems (System). The School participates in two defined benefit plans administered by the Division. The Division issues a publicly-available, audited comprehensive annual financial report (CAFR) on behalf of the System that includes financial statements, notes and required supplementary information for each of the pension plans. The System's CAFR and the actuarial reports, which provide detailed information about the plans, are available on line at: [http://www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications). The System's CAFR and actuarial reports may also be obtained by contacting the Division of Retirement at: Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, FL 32315-9000, or call 850-488-5706 or toll free at 877-377-1737.

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

### NOTE 6 – EMPLOYEE RETIREMENT PLAN (continued)

#### *Plan Descriptions*

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, is administered, and may be amended in accordance with Chapter 121, Florida Statutes. Retirees receive a lifetime pension benefit with joint and survivor payment options. FRS membership is compulsory for employees filling regularly established positions in a state agency, county agency, state university, state community college, or district school board, unless restricted from FRS membership under sections 121.053 and 121.122, Florida Statutes, or allowed to participate in a non-integrated defined contribution plan in lieu of FRS membership. Participation by cities, municipalities, special districts, charter schools and metropolitan planning organizations is optional.

Benefits under the FRS Pension Plan 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. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, 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. The percentage value for each year of service credit earned ranges from 1.60% to 1.68%. Benefits received are increased by an annual cost-of-living adjustment, ranging from 0% to 3% depending on effective dates of enrollment and retirement.

The Retiree Health Insurance Subsidy (HIS) Program is a cost-sharing, multiple-employer defined benefit pension plan established, administered, and subject to amendment in accordance with section 112.363, Florida Statutes. The benefit is a monthly payment to assist retirees of the state-administered retirement systems in paying their health insurance costs. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received 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 under one of the state-administered retirement systems must provide proof of eligible health insurance coverage, which can include Medicare.

#### *Contributions*

Contribution requirements of active employees and participating employers are established and may be amended only through an act of the Florida Legislature. The FRS requires a contribution of 3% of covered pay from employees. The School is required to contribute at an actuarially determined rate. Contribution rates and amounts are listed in the table below. Amounts contributed were equal to the required contribution for those years.

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contribution Rates – %			
Retirement – Employer	5.56	5.80	6.20
HIS – Employer	1.66	1.66	1.66
Administrative – Employer	.04	.06	.06
Employee	3.00	3.00	3.00
Total	<u>10.26</u>	<u>10.52</u>	<u>10.92</u>
Contribution Amounts			
Employer	\$ 16,343	\$ 17,498	\$ 16,496
Employee	6,753	6,980	6,217
Totals	<u>\$ 23,096</u>	<u>\$ 24,478</u>	<u>\$ 22,713</u>

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

**NOTE 6 – EMPLOYEE RETIREMENT PLAN (continued)**

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

At June 30, 2018, the School reported a liability of \$279,565 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School's proportion of the net pension liability was based on a projection of the School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. The following displays the School's proportionate shares for the two programs:

	Share at June 30, 2016	Share at June 30, 2017	Change
Florida Retirement System	0.000456467%	0.000624582%	0.000168115%
Health Insurance Subsidy	0.000707416%	0.000886774%	0.000179358%

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

For the year ended June 30, 2018, the School recognized pension expense of \$41,570. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience.	\$ 16,955	\$ 1,221
Changes of assumptions.	75,416	8,199
Net difference between projected and actual earnings on pension plan investments.	53	4,578
Changes in proportion and differences between School contributions and proportionate share of contributions.	53,174	20,474
School contributions subsequent to the measurement date.	15,284	--
Total	\$ 160,882	\$ 34,472

The School reported \$15,284 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the following years:

Year Ending			
<u>June 30,</u>	<u>FRS</u>	<u>HIS</u>	<u>Total</u>
2019	\$ 9,836	\$ 3,655	\$ 13,491
2020	9,835	3,656	13,491
2021	21,915	3,649	25,564
2022	18,877	4,678	23,555
2023	10,246	5,129	15,375
2024	12,453	3,330	15,783
2025	4,120	(90)	4,030
2026	--	(163)	(163)
Total	\$ 87,282	\$ 23,844	\$ 111,126

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

**NOTE 6 – EMPLOYEE RETIREMENT PLAN (continued)**

***Actuarial Assumptions and Discount Rate***

The total pension liability for cost-sharing defined benefit plans was determined by an actuarial valuation as of July 1, 2017, using the entry age actuarial cost method. Inflation increases for both plans is assumed at 2.60%. Payroll growth, including inflation, 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 7.10%. 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 3.58% was used to determine the total pension liability for the program (Bond Buyer General Obligation 20-Bond Municipal Bond Index.) 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 2017:

- FRS: The long-term expected rate of return was decreased from 7.60% to 7.10%, and the active member mortality assumption was updated.
- HIS: The municipal rate used to determine total pension liability was increased from 2.85% to 3.58%.

***Actuarial assumptions and Discount Rate (concluded)***

*Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate.* The following tables demonstrate the sensitivity of the net pension liability to changes in the discount rate. The sensitivity analysis shows the impact of the School's proportionate share of the collective net pension liability if the discount rate was 1.00% higher or 1.00% lower than the current discount rate at June 30, 2017.

Florida Retirement System			Health Insurance Subsidy		
1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
\$ 334,381	\$ 184,747	\$ 60,517	\$ 108,200	\$ 94,818	\$ 83,672

*Long-term expected rate of return.* The long-term expected rate of return assumption of 7.10% consists of two building block components: 1) a real (in excess of inflation) return of 4.50%, consistent with the currently articulated real return target in the current Florida State Board of Administration's investment policy, developed using capital market assumptions calculated by Aon Hewitt Investment Consulting; and 2) a long-term average annual inflation assumption of 2.60% as adopted in October 2017 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 7.10% return assumption were determined to be reasonable and appropriate per the Actuarial Standards of Practice. The 7.10% reported investment return assumption differs from the 7.50% investment return assumption chosen by the 2017 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

The table below contains a summary of 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. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. 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>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1%	3.0%	3.0%	1.8%
Fixed Income	18%	4.5%	4.4%	4.2%
Global Equity	53%	7.8%	6.6%	17.0%
Real Estate (Property)	10%	6.6%	5.9%	12.8%
Private Equity	6%	11.5%	7.8%	30.0%
Strategic Investments	12%	6.1%	5.6%	9.7%

# Notes to the Financial Statements

June 30, 2018

## Micanopy Academy, Inc.

*A Component Unit of the Alachua County District School Board*

### **NOTE 6 – EMPLOYEE RETIREMENT PLAN (concluded)**

#### ***Pension plan fiduciary net position.***

Detailed information about the pension plan's fiduciary net position is available in the separately issued FRS financial report.

#### ***Defined Contribution Plan***

Pursuant to Chapter 121, Florida Statutes, the Florida Legislature created the Florida Retirement Investment Plan (“FRS Investment Plan”), a defined contribution pension plan qualified under Section 401(a) of the Internal Revenue Code. The FRS Investment Plan is an alternative available to members of the Florida Retirement System in lieu of the defined benefit plan. There is a uniform contribution rate covering both the defined benefit and defined contribution plans, depending on membership class. Required employer contributions made to the investment plan during the year ended June 30, 2018, totaled \$2,416.

### **NOTE 7 - CONSTRUCTION COMMITMENTS**

The School entered into two contracts relating to the purchase of a new modular classroom building. The total contract price for the building was \$91,325, of which \$60,526 was recorded as an expenditure for the year ended June 30, 2018. A commitment of \$30,799 was outstanding as of June 30, 2018. The total contract price for the general contractor for the installation of the building was \$33,200, of which \$5,000 was recorded as an expenditure for the year ended June 30, 2018. A commitment of \$28,200 was outstanding as of June 30, 2018.

**Budgetary Comparison Schedule – General Fund**  
**For the Year Ended June 30, 2018**  
**Micanopy Academy, Inc.**  
*A Component Unit of the Alachua County District School Board*

BUDGETED AMOUNTS

	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
<b>Revenues</b>				
State Revenue:				
Florida Education Finance Program	\$ 364,776	\$ 363,390	\$ 363,390	\$ --
Other State Revenues	1,060	26,645	26,645	--
Local Revenue:				
Gifts, Grants and Bequests	9,100	4,556	4,556	--
Other Local Revenues	725	5,780	5,780	--
<b>Total Revenues</b>	<b><u>375,661</u></b>	<b><u>400,371</u></b>	<b><u>400,371</u></b>	<b><u>--</u></b>
<b>Expenditures and Changes in Fund Balances</b>				
<b>Expenditures:</b>				
Current:				
Instruction	180,080	196,270	196,270	--
Instructional Support Services	500	1,263	1,263	--
General Support	154,305	163,310	163,310	--
Community Services	100	1,131	1,131	--
Operation of Plant	30,035	40,637	40,637	--
Debt Service:				
Principal	--	1,460	1,460	--
Interest	--	21,190	21,190	--
<b>Total Expenditures</b>	<b><u>365,020</u></b>	<b><u>425,261</u></b>	<b><u>425,261</u></b>	<b><u>--</u></b>
<b>Net Change in Fund Balance</b>	<b>10,641</b>	<b>(24,890)</b>	<b>(24,890)</b>	<b>--</b>
<b>Fund Balances, July 1, 2017</b>	<b><u>--</u></b>	<b><u>10,812</u></b>	<b><u>10,812</u></b>	<b><u>--</u></b>
<b>Fund Balances, June 30, 2018</b>	<b><u>\$ --</u></b>	<b><u>\$ (14,078)</u></b>	<b><u>\$ (14,078)</u></b>	<b><u>\$ --</u></b>

Note to Schedule:

An annual Budget is adopted on the modified accrual basis of accounting, consistent with generally accepted accounting principles. Amendments to the budget can only be made with the approval of the Board of Directors. The fund is the legal level of control.

## Schedules of School's Proportionate Share of the Net Pension Liability – Last 10 Fiscal Years

For the Year Ended June 30, 2018

**Micanopy Academy, Inc.**

*A Component Unit of the Alachua County District School Board*

### Florida Retirement System

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Proportion of the net pension liability (asset)	0.000624 582%	0.000456 467%	0.000394 374%	0.000451 677%						
Proportionate share of the net pension liability (asset)	\$ 184,747	\$ 115,258	\$ 50,939	\$ 27,559						
Covered-employee payroll	\$ 232,681	\$ 225,104	\$ 267,510	\$ 251,055						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.40%	51.20%	19.04%	10.98%						
Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%						

### Health Insurance Subsidy Program

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Proportion of the net pension liability (asset)	0.000886 774%	0.000707 416%	0.000560 406%	0.000602 522%						
Proportionate share of the net pension liability (asset)	\$ 94,818	\$ 82,446	\$ 57,153	\$ 56,337						
Covered-employee payroll	\$ 232,681	\$ 225,104	\$ 267,510	\$ 251,055						
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	40.75%	36.63%	21.36%	22.44%						
Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%						

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no factors that significantly affect trends in the amounts reported.

## Schedules of Contributions – Last 10 Fiscal Years

For Year Ended June 30, 2018

**Micanopy Academy, Inc.**

*A Component Unit of the Alachua County District School Board*

### Florida Retirement System

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Required contribution	\$ 11,843	\$ 16,259	\$ 11,132	\$ 9,615	\$ 9,894					
Contributions in relation to the required contribution	<u>(11,843)</u>	<u>(16,259)</u>	<u>(11,132)</u>	<u>(9,615)</u>	<u>(9,894)</u>					
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --					
Covered-employee payroll	\$208,545	\$232,681	\$225,104	\$267,510	\$251,055					
Contributions as a percentage of covered-employee payroll	5.68%	6.99%	4.95%	3.59%	3.94%					

### Health Insurance Subsidy Program

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Required contribution	\$ 3,441	\$ 4,693	\$ 3,626	\$ 2,142	\$ 2,064					
Contributions in relation to the required contribution	<u>(3,441)</u>	<u>(4,693)</u>	<u>(3,626)</u>	<u>(2,142)</u>	<u>(2,064)</u>					
Contribution deficiency (excess)	\$ -	\$ --	\$ --	\$ --	\$ --					
Covered-employee payroll	\$208,545	\$232,681	\$225,104	\$267,510	\$251,055					
Contributions as a percentage of covered-employee payroll	1.65%	2.02%	1.61%	.80%	.82%					

Note: The amounts presented were determined as of June 30 for each fiscal year.

Note: Amounts will be presented prospectively.

Note: There are no significant trends in the amounts reported.

# Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16<sup>th</sup> Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 [www.kattell.com](http://www.kattell.com)

## COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

October 8, 2018

To the Board of Directors  
Micanopy Academy, Inc.

We have audited the financial statements of Micanopy Academy, Inc. (the School) for the year ended June 30, 2018, and have issued our report thereon dated October 8, 2018. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated July 10, 2018. Professional standards also require that we communicate to you the following information related to our audit.

### Qualitative Aspects of Accounting Practices

*Accounting Policies.* Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the School are described in the notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the School during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

*Accounting Estimates.* Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Note 6 describes the estimates used to calculate net pension liability of the Florida Retirement System.

*Disclosures.* There are no disclosures that are particularly sensitive.

*Corrected and Uncorrected Misstatements.* Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We have communicated all known and likely adjustments to management and, except as noted in the next sentence, all adjustments have been reflected in the financial statements. We identified adjustments that should have been made that would have increased expenses by \$4,636 and increased liabilities by the same amount. Management did not make these adjustments because they had an immaterial effect on the financial statements, and we do not disagree.

### Our Working Relationship with Management

*Difficulties Encountered in Performing the Audit.* We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Disagreements with Management.* For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations.* We have requested certain representations from management that are included in the management representation letter.

*Management Consultations with Other Independent Accountants.* In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Consultations Prior to Engagement.* We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the School's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

\* \* \* \* \*

This letter is intended solely for the information and use of management and the Board of Directors of the School and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

*Kattell and Company, P.L.*

Gainesville, Florida

# Kattell and Company, P.L.

Certified Public Accountants Serving the Nonprofit Community

808-B NW 16<sup>th</sup> Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 [www.kattell.com](http://www.kattell.com)

## MANAGEMENT LETTER

To the Board of Directors,  
Micanopy Academy, Inc.

October 8, 2018

**Report on the Financial Statements.** We have audited the financial statements of Micanopy Academy, Inc. (the School), as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated October 8, 2018.

**Auditors' 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 Reports and Schedules.** We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*, and Schedule of Findings. Disclosures in that report and schedule, which are dated October 8, 2018, 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. In that regard,

- Finding 2018-001 and Finding 2018-002 are similar to Finding 2017-001 for the year ending June 30, 2017, and 2016-002 for the year ended June 30, 2016.
- There were no other uncorrected prior audit findings.

**Official Title.** 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 Academy, Inc.

### Financial Condition.

Sections 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 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 conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.854(1)(e)6.a. and 10.855(12), Rules of the Auditor General, we applied financial condition assessment procedures for the School. It is management's responsibility to monitor the School's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. See Finding 2018-001 in the Schedule of Findings.

**Transparency.** Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we report the results of our determination as to whether the 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 School did not maintain on its website all of the information specified in Section 1002.33(9)(p), Florida Statutes. See Finding 2018-005.

### 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, see Finding 2018-006.

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. Our Findings 2018-002, 2018-003, and 2018-004 are included in the accompanying Schedule of Findings.

**Purpose of this Letter.** Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, the local district school board, the Board of Directors and management of the School, and is not intended to be and should not be used by anyone other than these specified parties.

\* \* \* \* \*

Thank you for the cooperation and courtesies extended to us during the course of the audit. Please let us know if you have any questions or comments concerning this letter, our accompanying reports, or any other matters.

*Kattell and Company, P.L.*

# Kattell and Company, P.L.

*Certified Public Accountants Serving the Nonprofit Community*

808-B NW 16<sup>th</sup> Avenue Gainesville, Florida 32601 TEL: 352-395-6565 FAX: 352-395-6636 [www.kattell.com](http://www.kattell.com)

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors,  
Micanopy Academy, Inc.

October 8, 2018

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 and each major fund of Micanopy Academy, Inc. (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 8, 2018.

### 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 School'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 were not 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 grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### School's Response to Findings

The School's response to our findings is described in the accompanying letter from the School. 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

\* \* \* \* \*

As required by the Rules of the Auditor General of the State of Florida, we noted certain matters that we reported to management of the School in the management letter dated October 8, 2018.

*Kattell and Company, P.L.*

# Schedule of Findings

June 30, 2018

## Micanopy Academy, Inc.

A Component Unit of the Alachua County District School Board

### Financial Condition Assessment

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#### **Finding 2018-001 Deteriorating Financial Condition**

The School sustained a decrease in fund balance of \$24,890 for the year ended June 30, 2018. The School's unassigned fund deficit at June 30, 2018, was \$14,959. It is not likely that the School could sustain a similar decrease in the coming year without meeting one or more conditions of a financial emergency as described in Section 218.503(1).

### Immaterial Noncompliance

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#### **Finding 2018-002 Florida Retirement System Contributions**

*Criteria:* Monthly contributions to the Florida Retirement System (FRS) should be made for all participating employees and should be calculated on the actual wages paid to employees.

*Conditions:*

1. Regarding payments of required contributions to FRS, there were two monthly contributions that were calculated using incorrect wage amounts. However, these were both corrected in the subsequent month.
2. There was one employee for which one monthly contribution was not made to FRS.

*Causes:*

1. Management failed to agree the wages actually paid to employees to the wages used to calculate the contributions due to FRS.
2. For this employee, management entered the incorrect year as the check month on the Payroll Detail Report sent to FRS and used to calculate the amounts due to FRS. This caused the employee and employer contributions to be incorrectly calculated. The incorrect amount paid for this employee was later refunded to the School; however, it appears that the School never submitted the correct amount.

*Effect:*

1. The amount of the delayed payments totaled \$147.32.
2. The net effect of the underpayment was \$92.82.

*Recommendation:* The School should consider what procedures should be performed to ensure that all FRS contributions are computed on the correct wages for each individual employee in the proper month.

#### **Finding 2018-003 Public Funds Designation**

*Criteria:* Any unit of Florida government must comply with Chapter 280, Florida Statutes when placing any public funds on deposit in a bank or savings association, including a) ensure that the moneys are placed in a qualified public depository and b) execute a prescribed form for identification of each public deposit account and obtain acknowledgment of receipt of the form from the qualified public depository.

*Condition:* Although all of the School's bank accounts are in qualified public depositories, one of the banks does not have the School's deposits designated as public funds.

*Recommendation:* The School should complete the prescribed form, obtain acknowledgment of receipt, and ensure that all accounts remain designated as public funds.

#### **Finding 2018-004 Indemnification**

*Finding:* The School obtained new financing in order to purchase a modular building; however, the new financing agreement did not include language to indemnify the state and local school district as required by Section 1002.33(14), Florida Statutes.

*Recommendation:* The School should consider whether the financing agreement could be amended to indemnify the State of Florida and the Alachua County District School Board. The School should consider what procedures should be performed to ensure that this indemnification is included in all future loan documents.

**Schedule of Findings (concluded)**  
**June 30, 2018**  
**Micanopy Academy, Inc.**  
*A Component Unit of the Alachua County District School Board*

**Transparency**

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**Finding 2018-005 Information on School Website**

*Finding:* According to Florida Statutes, the School is to maintain a website that enables the public to obtain information regarding the School as detailed in Sections 1002.33(9)(p). Although the School does have a website, the School did not have the following on the website on August 23, 2018, the day we performed our:

- The current budget.
- Some of the minutes of meetings of the board of directors for the most recent calendar quarter.

*Recommendation* - The School should maintain a website in compliance with Florida Statutes with all of the required information.

**Recommendation to Improve Financial Management**

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**Finding 2018-006 Control over Debit Card Charges**

The School uses a debit card for various charges, including on-line purchases, payment of bills, local purchases, etc.

As a further control, we recommend that the assistant principal review the bank statements each month, specifically reviewing the debit transactions, matching them to receipts.



## Micanopy Academy

352-466-1090  
PO Box 109 Micanopy, FL 32667  
www.micanopyacademy.com  
FB: Micanopy Academy Mustangs



Response to the 2017-18 Audit Findings

Oct. 8, 2018

### Financial Condition Assessment

#### **Finding 2018-001 Deteriorating Financial Condition**

Micanopy Academy does not agree with this finding. We had money in both of our accounts on June 30, 2018. We did not have a negative balance, nor have we at any point during the year. We consider this an unfair assessment. We purchased a new modular building this year as we are expanding into high school grades and we needed more room. We had to pay for a survey, the building, site work, contractors and more. This is why we had less in our account this year as compared to last year. Our FTE is currently up by \$12,000 a month because we are now able to have more students. It will increase even further after the October FTE week.

### Immaterial Noncompliance

#### **Finding 2018-002 Florida Retirement System Contributions**

The first incident was corrected immediately. The second finding was because the year was erroneously entered as 2007, instead of 2017 and the payment was kicked out. It was for a very small amount. It will be corrected. More attention will be paid to FRS in the future by the MA Management and the CPA.

#### **Finding 2018-003 Public Funds Designation**

The Public funds paperwork has already been sent in to Capital City Bank and we are awaiting a response from them. We thought both of our accounts were labeled Public Funds since we have had them open for so long, but only one was. It should be corrected shortly.

#### **Finding 2018-004 Indemnification**

The Management did ask the Charter Asset Management group to put in the indemnification clause in the contract, but they did not add it. We did try. This will not matter once the re-finance is completed because the loan will be paid in full and no one will be responsible.

Transparency

**Finding 2018-005 Information on School Website**

The Budget was on the website, but it was incorrect. When we opened it in Quickbooks to make a PDF to put on the website, some lines were left out. It was corrected. The Minutes that were left off were completely accidental. This was due to inadvertently not posting them, or them being deleted when we were cleaning up the website over the summer. Neither of these items were intentional and we will pay closer attention in the future.

Recommendation to the School

**Finding 2018-006 Control Over Debit Card Charges**

The Debit card is used for various purchases. Receipts and invoices are printed out and kept in a folder. The Assistant principal will check over the purchases in the future.

*Lara Lowe Phillipis*  
*10/8/18*