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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Micanopy Middle Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of Micanopy Middle Charter School (the "School"), as of and for the year ended June 30, 2008, which collectively comprise the Charter School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Micanopy Middle Charter School's management. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Micanopy Middle Charter School, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2008, on our consideration of Micanopy Middle Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 19, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Micanopy Middle Charter School's basic financial statements. The introductory section and budgetary sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory and budgetary sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Harvey Covington & Thomas

Hollywood, Florida
August 21, 2008

**MICANOPY MIDDLE CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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, 2008. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2008:

- ❖ The School's total net assets were approximately \$ 256,000.
- ❖ Total ending unrestricted net assets were approximately \$ 30,000.
- ❖ The School had total expenses for the year of about \$ 476,000 compared to revenue of approximately \$ 478,000.

The School remained within the budget set by the Board of Directors for the fiscal year ended June 30, 2008.

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 Assets. This statement includes all of the School's asset 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 revenues and expenses are recorded, regardless of when cash is received or paid. Net assets – 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 assets 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.

**MICANOPY MIDDLE CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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 major funds and one non-major fund. The General Fund and the Special Revenue Fund are considered to be major funds. The Capital Projects Fund is considered to be a non-major fund. Due to the request of Management, these funds are displayed separately.

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.

**MICANOPY MIDDLE CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

CONDENSED FINANCIAL INFORMATION

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

Micanopy Middle Charter School's Net Assets

	Total Governmental Activities		Total Percentage Change
	2008	2007	
Non-Capital Assets	\$ 47,455	\$ 37,843	25%
Capital Assets, Net	626,634	658,313	-5%
Total Assets	\$ 674,089	\$ 696,156	(3%)
Current Liabilities	10,706	\$ 1,931	454%
Non-current Liabilities	407,273	427,650	5%
Total Liabilities	417,979	429,581	3%
Net Assets			
Invested in capital assets, net of related debt	198,984	230,663	14%
Restricted	27,243	23,048	-18%
Unrestricted	29,883	12,864	132%
Total net assets	\$ 256,110	\$ 266,575	-4%

As noted earlier, net assets may serve over time as a useful indicator of the School's financial position. The School's net assets totaled approximately \$ 256,000 as of June 30, 2008. Of this amount, \$ 198,984 (net of related debt) has been invested in capital assets. The School uses the capital assets to provide services to the students.

The remaining balance of unrestricted net assets may be used to meet the School's ongoing obligations to students.

**MICANOPY MIDDLE CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Changes in Micanopy Middle Charter School's Net Assets

	<u>Total Governmental Activities</u>		<u>Total Percentage Change</u>
	2008	2007	
Revenues			
Florida Educational Finance Program	\$ 386,159	\$ 371,584	4%
Capital Grants & Contributions	55,409	50,268	10%
Title I Grant	20,221	18,811	7%
Other Unrestricted Income	15,994	16,667	-4%
Total Revenues	<u>477,783</u>	<u>457,330</u>	4%
Expenses			
Instruction	224,366	175,050	28%
General Support	263,882	261,147	1%
Total Expenses	<u>488,248</u>	<u>436,197</u>	12%
Change in Net Assets	(10,465)	21,133	-150%
Beginning Net Assets	266,575	245,442	9%
Ending Net Assets	<u>\$ 256,110</u>	<u>\$ 266,575</u>	-4%

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated approximately \$ 402,000 in general revenues and approximately \$ 75,000 in program revenue, and incurred approximately \$ 71,000 of program expenses. This resulted in a \$ 836 increase in net assets.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The General Fund's fund balance was approximately \$ (1,598). The School generated more revenue through State Source FTE (Full Time Equivalent) funds in the current year. The School incurred approximately \$ 405,000 in expenses due to operations of the School.

**MICANOPY MIDDLE CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

Special Revenue Fund

The Special Revenue Fund's revenue was approximately \$ 20,000 and the School incurred approximately \$ 20,000 in expenses.

Capital Projects Fund

The Capital Projects Fund revenue was approximately \$ 55,000. The expense incurred of approximately \$ 51,000 was used for rent 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.

Total Governmental Fund expenditures were above the budgeted amounts. This was generally due to additional material needed during fiscal year as well as additional support services.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There were no significant capital assets activity during 2008. Please refer to Note 2 for more detailed information about the School's capital asset activity.

Debt Administration

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. We did not identify any conditions that have or are expected to have, a significant effect on the School's financial position or results of operations.

**MICANOPY MIDDLE CHARTER SCHOOL
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

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 information, contact Mr. Bobby Johnson, Micanopy Middle Charter School's Director, 708 NW Okehumkee Street, Micanopy, Florida 32667.

**MICANOPY MIDDLE CHARTER SCHOOL
STATEMENT OF NET ASSETS
JUNE 30, 2008**

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	26,883	26,883
Due From Other Funds	10,405	10,405
Security Deposit - Rent	400	400
Debt Issuance Costs, Net of Accumulated Amortization of \$ 3,899	9,767	9,767
	47,455	47,455
Capital assets:		
Land	73,866	73,866
Depreciable Capital Assets, Net	552,768	552,768
	626,634	626,634
	674,089	674,089
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts Payable	151	151
Other Current Liabilities	10,555	10,555
	10,706	10,706
Non-current Liabilities		
Due Within (1) One Year	21,905	21,905
Due in More Than (1) One Year	385,368	385,368
	407,273	407,273
	417,979	417,979
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	198,984	198,984
Restricted for:		
Capital Projects	27,243	27,243
Unrestricted	29,883	29,883
	256,110	256,110
	674,089	674,089

See Accompanying Notes to the Financial Statements

MICANOPY MIDDLE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2008

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating		Governmental Activities	Total
			Grants and Contributions	Capital Grants and Contributions		
Primary Government:						
Governmental Activities:						
Basic Instruction	\$ 225,400	\$ -	\$ -	\$ -	\$ (225,400)	\$ (225,400)
Other Instruction	\$ 2,216	\$ 1,003	\$ -	\$ -	\$ (1,213)	\$ (1,213)
Instructional Staff Training Services	\$ 270	\$ -	\$ -	\$ -	\$ (270)	\$ (270)
Board Training	\$ 182	\$ -	\$ -	\$ -	\$ (182)	\$ (182)
School Administration	\$ 105,612	\$ -	\$ -	\$ -	\$ (105,612)	\$ (105,612)
Facilities Acquisition & Construction	\$ 7,097	\$ -	\$ -	\$ 55,409	\$ 48,312	\$ 48,312
Fiscal Services	\$ 10,512	\$ -	\$ -	\$ -	\$ (10,512)	\$ (10,512)
Food Services	\$ 4,892	\$ 4,806	\$ -	\$ -	\$ (86)	\$ (86)
Assessment & Evaluation	\$ 965	\$ -	\$ -	\$ -	\$ (965)	\$ (965)
Information Services	\$ 400	\$ -	\$ -	\$ -	\$ (400)	\$ (400)
Pupil Transportation Services	\$ 38,093	\$ 549	\$ -	\$ -	\$ (37,544)	\$ (37,544)
Operation of Plant	\$ 26,193	\$ -	\$ -	\$ -	\$ (26,193)	\$ (26,193)
Maintenance of Plant	\$ 3,986	\$ -	\$ -	\$ -	\$ (3,986)	\$ (3,986)
Community Services	\$ 415	\$ -	\$ -	\$ -	\$ (415)	\$ (415)
Other Expenses and Charges	\$ 62,015	\$ -	\$ -	\$ -	\$ (62,015)	\$ (62,015)
Total governmental activities	\$ 488,248	\$ 6,358	\$ -	\$ 55,409	\$ (426,481)	\$ (426,481)
General Revenues:						
Title I Grant					20,221	20,221
State Source FTE					386,159	386,159
Other Income					9,636	9,636
Total General Revenues, Special Items and Transfers					416,016	416,016
Change in Net Assets					(10,465)	(10,465)
Net Assets - Beginning of Year					266,575	266,575
Net Assets - End of Year					256,110	256,110

See Accompanying Notes to the Financial Statements

**MICANOPY MIDDLE CHARTER SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008**

ASSETS	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
Cash	\$ -	\$ -	\$ 26,883	\$ 26,883
Deposits	-	-	400	400
TOTAL ASSETS	\$ -	\$ -	\$ 27,283	\$ 27,283
Liabilities				
Accounts Payable	\$ 153	-	\$ 40	\$ 193
Other Current Liabilities	1,445	-	-	1,445
TOTAL LIABILITIES	1,598	-	40	1,638
Fund Balances:				
Rescued	-	-	27,243	27,243
Unreserved, Undesignated	(1,598)	-	-	(1,598)
TOTAL FUND EQUITY	(1,598)	-	27,243	25,645
TOTAL LIABILITIES AND FUND EQUITY	\$ -	\$ -	\$ 27,283	\$ 27,283

Reconciliation of the governmental funds Balance Sheet to the Statement of Net Assets for the year ended June 30, 2008

Total fund balances - governmental funds 25,645

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 737,440 and the accumulated depreciation is (\$ 110,806)

Long-term liabilities and related deferred charges are not reported in the governmental funds.

Long-term Liabilities (407,273)
Debt Issuance Costs, Net 11,104

Net Assets of Governmental Activities \$ 256,110

See Accompanying Notes to the Financial Statements

**MICANOPY MIDDLE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2008**

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Title I Grant	\$ -	\$20,221	\$ -	#####
State Source FTE	386,159	-	-	#####
Capital Outlay Fund	-	-	55,409	55,409
Earnings on Investments	2	-	-	2
Miscellaneous Income	7,557	-	-	7,557
TOTAL REVENUES	402,153	20,221	55,409	#####
EXPENDITURES				
Basic Instruction	205,181	20,221	-	225,402
Other Instruction	2,216	-	-	2,216
Instructional Staff Training Services	270	-	-	270
Board Training	182	-	-	182
School Administration	105,612	-	-	105,612
Facilities Acquisition & Construction	6,597	-	500	7,097
Fiscal Services	10,512	-	-	10,512
Food Services	4,892	-	-	4,892
Assessment & Evaluation	965	-	-	965
Information Services	397	-	-	397
Pupil Transportation Services	38,093	-	-	38,093
Operation of Plant	26,193	-	-	26,193
Maintenance of Plant	3,986	-	-	3,986
Community Services	415	-	-	415
Debt Services				
Principal	-	-	20,378	20,378
Interest	-	-	30,336	30,336
TOTAL EXPENDITURES	405,511	20,221	51,214	476,946
EXCESS OF REVENUES OVER EXPENDITURES	(3,358)	-	4,195	837
TOTAL OTHER FINANCING SOURCES	-	-	-	-
NET CHANGE IN FUND BALANCES	(3,358)	-	4,195	837
FUND BALANCE, July 1, 2007	1,760	-	23,048	24,808
FUND BALANCE, June 30, 2008	\$ (1,598)	\$ -	\$ 27,243	\$ 25,645

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

Total net change in fund balances - governmental funds \$ 837

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.
Gain on Disposal of Capital Assets 1,406

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. Amortization of Debt Issuance Costs (1,337)

Certain charges are not counted towards current year resources and therefore
reconciling item. (31,748)

Repayment of debt principal is an expenditure in the governmental funds, but the
repayment does not effect net assets of governmental activities.
Principal Payments 20,377

Change In net assets of governmental activities \$ (10,465)

**MICANOPY MIDDLE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Micanopy Middle Charter School is a not-for-profit corporation organized in 2003 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 Charter School, Inc. (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors which is composed of three 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 (the “District”). The current charter is effective until June 30, 2012 and may be renewed every 10 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. This School is considered a component unit of the District.

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.

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, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

**MICANOPY MIDDLE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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 – to account for financial resources associated with grants that are restricted for specific uses.

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 Fund, Special Revenue Fund, and Capital Projects Fund are all considered to be significant funds and, therefore, are separately stated. The School has one non-major fund.

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 Assets.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. The 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 Fund financial statements are presented on a modified accrual basis.

All governmental fund types are accounted for using the modified accrual basis of accounting. Under the modified accrual basis, revenues are recognized when they become measurable and available. Under the modified accrual basis of accounting, expenditures are generally recognized when the related fund liability is incurred.

Budgetary Basis of Accounting

Budgets are presented on the modified accrual basis of accounting, consistent with generally accepted accounting principles.

**MICANOPY MIDDLE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

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, 2008, deposits did not exceed FDIC insurance limits.

Debt Issuance Costs

In the government-wide financial statements, debt issuance costs are capitalized and amortized over the life of the debt.

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 levels are \$500 on tangible personal property. Land and construction-in-progress are not depreciated. Depreciation on all assets is provided on the straight-line basis over the estimated useful life. The depreciation of general capital assets is recorded in the Government-wide financial statements.

Estimated useful lives:

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

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 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.

**MICANOPY MIDDLE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

Compensated Absences

The School does not pay employees for unused sick and vacation time. Unused hours expire at the end of the school year. Therefore, no compensated absences are recorded.

Long-term Liabilities

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

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.

Estimates and Assumptions

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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

**MICANOPY MIDDLE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 2 - CHANGES IN GENERAL CAPITAL ASSETS

Changes in general Capital Assets are shown below:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Capital Assets:				
Land	\$ 73,866	\$ -	\$ -	\$ 73,866
Buildings	589,973	-	-	589,973
Improvements	39,016	-	-	39,016
Furniture, Fixtures and Equipment	40,612	-	(6,026)	34,586
Total Capital Assets	<u>743,467</u>	<u>-</u>	<u>(6,026)</u>	<u>737,441</u>
Accumulated Depreciation:				
Buildings	(58,998)	(19,667)		(78,665)
Improvements	(7,351)	(2,601)		(9,952)
Furniture, Fixtures and Equipment	(18,805)	(8,005)	4,620	(22,190)
Total Accumulated Depreciation	<u>(85,154)</u>	<u>(30,273)</u>		<u>(110,807)</u>
Net Capital Assets	<u>\$ 658,313</u>	<u>\$ (30,273)</u>	<u>\$ (1,406)</u>	<u>\$ 626,634</u>

NOTE 3 - LONG-TERM LIABILITIES

At year end, the School's long-term liabilities consist of a note payable to a financial institution, bearing 7.25% interest. The note is secured by a mortgage on the real property.

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

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>	<u>Due Within One Year</u>
Notes Payable	<u>\$ 427,650</u>	<u>\$ -</u>	<u>\$ 20,377</u>	<u>\$ 407,273</u>	<u>\$ 21,905</u>

**MICANOPY MIDDLE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE 3 – LONG-TERM LIABILITIES continued

Future long-term debt obligation:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2009	\$ 21,905	\$ 28,809	\$ 50,714
2010	23,547	27,167	50,714
2011	25,312	25,402	50,714
2012	27,209	23,505	50,714
2013	29,248	21,465	50,714
Thereafter	<u>280,052</u>	<u>38,767</u>	<u>318,819</u>
Total	<u>\$ 407,273</u>	<u>\$ 165,115</u>	<u>\$ 572,389</u>

NOTE 4 – 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.

NOTE 5 – BUDGETARY COMPARISON SCHEDULE

The following budgetary information is presented as part of the required supplementary information as mandated by GASB Statement #34.

**MICANOPY MIDDLE CHARTER SCHOOL
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008**

	GENERAL		SPECIAL REVENUE		CAPITAL PROJECTS	
	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL
REVENUES						
Title I Grant	\$ -	\$ -	\$ 32,048	\$ 20,221	\$ -	\$ -
State Source FTE	411,266	386,159	-	-	-	-
Capital Outlay Fund	-	-	-	-	51,000	55,409
Gifts, Grants & Bequests	-	8,435	-	-	-	-
Rent	-	-	-	-	-	-
Interest Income	-	2	-	-	-	-
Miscellaneous Income	10,500	7,557	-	-	-	-
TOTAL REVENUES	421,766	402,153	32,048	20,221	51,000	55,409
EXPENDITURES						
Basic Instruction	231,600	205,181	32,048	20,221	-	-
Other Instruction	-	2,216	-	-	-	-
Instructional Staff Training Services	-	270	-	-	-	-
Board Training	-	182	-	-	-	-
School Administration	54,030	105,612	-	-	-	-
Facilities Acquisition & Construction	-	6,597	-	-	-	500
Fiscal Services	6,600	10,512	-	-	-	-
Food Services	-	4,892	-	-	-	-
Assessment & Evaluation	-	965	-	-	-	-
Information Services	1,000	397	-	-	-	-
Pupil Transportation Services	27,800	38,093	-	-	-	-
Operation of Plant	32,400	26,193	-	-	-	-
Maintenance of Plant	6,000	3,986	-	-	-	-
Community Services	-	415	-	-	-	-
Debt Services	-	-	-	-	50,724	50,714
TOTAL EXPENDITURES	359,430	405,511	32,048	20,221	50,724	51,214
EXCESS OF REVENUES OVER EXPENDITURES	\$ 62,336	\$ (3,358)	\$ -	\$ -	\$ 276	\$ 4,195

See Accompanying Notes to the Financial Statements

**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
Micanopy Middle Charter School

We have audited the financial statements of Micanopy Middle Charter School (a nonprofit organization) as of and for the year ended June 30, 2008, and have issued our report thereon dated August 21, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Micanopy Middle Charter School's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Micanopy Middle Charter School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting **08-ML-01 and 08-ML-02**.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Micanopy Middle Charter 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 accompanying schedule of findings and responses as items **08-ML-01** and **08-ML-02**.

We noted certain matters that we reported to management of Micanopy Middle Charter School in a separate letter dated August 27, 2008.

Micanopy Middle Charter School's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Responses. We did not audit Micanopy Middle Charter School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of Micanopy Middle Charter School's management, the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Howey, Covington + Thomas

Hollywood, Florida
August 21, 2008

Certified Public Accountants & Consultants

August 21, 2008

To the Board of Directors
Micanopy Middle Charter School

We have audited the financial statements of Micanopy Middle Charter School for the year ended June 30, 2008, and have issued our report thereon dated August 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 10, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on August 4, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Micanopy Middle Charter School are described in Note 1 (One) to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during fiscal year ended June 30, 2008. We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of Long-term Liabilities, in Note 3 (Three), to the financial statements. This disclosure is significant because it demonstrates the School's current and future debt obligations for mortgage. We noted, during audited year, the School was in current standing with the terms of the debt obligation and has the financial ability/stability to continue managing the debt.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

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 auditor's 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 dated August 21, 2008.

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 Organization'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.

Other Audit Findings or Issues

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 Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Our audit did disclose several internal control related findings that were addressed within the audit report at the "Schedule of Findings and Response". We discussed the significance of segregation of duties, regarding all accounting functions, as well as the importance of approving all accounting transaction prior to processing.

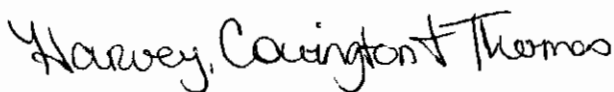
The Rules of the Auditor General require that we comment as to whether corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. Corrective action has been taken on all prior year findings.

As required by the Rules of the Auditor General, the scope of our audit included a review of the provisions of Section 218.503, Florida Statutes, "Determination of Financial Emergency". In connection with our audit, we determined that the School ha not met one or more of the conditions described in Section 218.502(1), Florida Statues.

We applied financial condition assessment procedure, as of the end of the fiscal year. It is management's responsibility to monitor financial condition, and our financial condition assessment was based, in part, in representations made by management and the review of financial information provided by management. The application of such procedures revealed that the School's fiscal affairs should be closely monitored on an ongoing basis in order to help ensure the School's financial stability.

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

Very truly yours,



Harvey, Covington & Thomas, L.L.C.

**MICANOPY MIDDLE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

08-ML-01

Criteria:

During our procedures were noted that the School has an absence of segregation of duties. Segregation of duties is used to ensure that errors or irregularities are prevented or detected on a timely basis by employees in the normal course of business.

Condition:

The School cannot effectively operate in the absence of the Director/Principal. The Director/Principle processes, approves, prints and signs checks for all accounting transactions.

Recommendation:

We recommend the School reassign some of the duties to other staff within the Organization to ensure continuous operations. At the most basic level, it means that, no single individual should have control over two or more phases of a transaction or operation. Management should assign responsibilities to ensure a crosscheck of duties.

Reason Improvement Needed:

It is an essential element to separate duties to minimize errors and serves as a check and balance accounting control. Segregation of duties provides two benefits. It reduces the risk of deliberate fraud by minimizing the possibility of collusion. It also serves as a check and balance that is likely to detect innocent errors.

Management Response:

The principal will ensure duties are dispersed so that a cross check of duties are established. This is the first time the school was informed that a process such as this was required and it will implement this recommendation immediately.

**MICANOPY MIDDLE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

08-ML-02

Criteria:

During our procedures, we noted checks were not visibly approved prior to processing. We also noted the invoices did not have a 'Received' or 'Paid' date stamped or marked on them.

Condition:

It is essential that all payments are approved prior to processing. The individual approving the check requests cannot sign the check or vice versa. A proper check and balance system needs to be in place in order to successfully process checks. All information provided on the check request form should be complete. All forms should include:

- a. Date
- b. Vendor/name
- c. Amount disbursed
- d. Explanation
- e. Approval signature and date
- f. Attach copies of supporting documentation

Completion of this form reflects the approval and validation of processed item. All supporting documentation should be attached to processed checks for research and auditing purposes. The invoices should be stamped to note received and paid dates. It is necessary to maintain good record keeping. Filing a copy of the cancelled check along with the invoice serves as a mitigating control to avoid duplicate payments.

An alternative to completing check requests would be via authorization sign-off on each invoice. The sign-off may be in the form of initials and/or signature by an authorized board or staff member. The sign-off should be in plain view, on the invoice, and accompanied by the approval date.

Recommendation:

We recommend the School consider marking "Received" and "Paid" on incoming and processed invoices.

**MICANOPY MIDDLE CHARTER SCHOOL
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2008**

08-ML-02 continued

Reason Improvement Needed:

The School will be better suited to effectively review and trace all processed invoices. Stamping the invoices will reduce the risk of duplication.

Management Response:

Micanopy Middle School will implement a received stamp on incoming invoices.

**MICANOPY MIDDLE CHARTER SCHOOL
STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
JUNE 30, 2008**

At the completion of the audit for fiscal year 2007 recommendations were made and were to be addressed during the fiscal year 2008. None of those recommendations were related to conditions that we considered material internal control weaknesses. We have reviewed the recommendations and the progress made toward implementation. The current status of the School's efforts, towards implementing the 2007 recommendations, are described below.

Recommendation

Status

The School should establish procedures to ensure that the budget is prepared properly and amended during the year for unanticipated revenues and expenditures. The budget to actual position should be reviewed periodically to reduce the likelihood of budget over-expenditures and help to ensure the School's financial stability.

Partially Implemented