

**MICANOPY MIDDLE SCHOOL, INC.
MICANOPY, FLORIDA
JUNE 30, 2009**

**Financial Statements,
Independent Auditor's Report Thereon,
Independent Auditor's Report on
Compliance and Internal Controls, and
Management Letter**



HARVEY, COVINGTON & THOMAS, llc

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Management Letter**

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MICANOPY MIDDLE SCHOOL, INC.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Micanopy Middle School, Inc., as of and for the year ended June 30, 2009, which collectively comprise the Organization's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Micanopy Middle School Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Micanopy Middle School, Inc., as of June 30, 2009, 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 September 23, 2009, on our consideration of Micanopy Middle School Inc'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 should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 8 and 20, 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.

Harvey Lovington J. Thomas, S.S.C.

Hollywood, Florida
September 23, 2009

MICANOPY MIDDLE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009

This discussion and analysis of the School's financial performance provides an overview of Micanopy Middle School, Inc.'s financial activities for the fiscal year ended June 30, 2009. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year ending 2009:

- ❖ The School's total net assets were approximately \$ 227,000.
- ❖ Total ending unrestricted nets assets were approximately \$ 8,500.
- ❖ The School had total expenses for the year of about \$ 506,000 compared to revenue of approximately \$ 472,000.

The School remained within the budget set by the Board of Directors for the fiscal year ended June 30, 2009.

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 Statement of Net Assets includes all of the School's assets and liabilities using the accrual basis of accounting. Accrual based 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 Statement of Activities is also shown using the accrual basis of accounting and 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 financial health of the School.

In Government-wide financial statements, all of the School's activities are considered to be governmental. 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 SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009

Fund Financial Statements

The Governmental Fund financial statements follow the Government-wide financial statements and they provide more detailed information about the School's fund activity.

- ❖ **Governmental Funds** – These funds are accounted for using modified accrual accounting, which focus on available cash and other financial assets that can be readily converted to cash. This basis provides a short-term view of the governmental funds 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 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. As required, all funds are displayed separately.

General Fund – Accounts for all financial resources except those required to be reported in another fund.

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

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

**MICANOPY MIDDLE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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 School, Inc., Net Assets

	Total Governmental Activities		Total Percentage Change
	2009	2008	
Non-Capital Assets	\$ 22,005	\$ 47,455	(54%)
Capital Assets, Net	604,415	626,634	(4%)
Total Assets	\$ 626,420	\$ 674,089	(7%)
Current Liabilities	13,483	\$ 10,706	26%
Non-current Liabilities	385,368	407,273	6%
Total Liabilities	398,851	417,979	5%
Net Assets			
Invested in capital assets, net of related debt	197,142	198,984	1%
Restricted	8,522	27,243	69%
Unrestricted	21,905	29,883	(27%)
Total net assets	\$ 227,569	\$ 256,110	(11%)

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 \$227,500 as of June 30, 2009. Of this amount approximately, \$197,000 (net of related debt) has been invested in capital assets.

The balance of unrestricted net assets of \$22,000 may be used to meet the School's ongoing obligations.

**MICANOPY MIDDLE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009**

Changes in Micanopy Middle School, Inc's Net Assets

	Total Governmental Activities		Total Percentage Change
	2009	2008	
Revenues			
Florida Educational Finance Program	\$ 368,942	\$ 386,159	(4%)
Capital Grants and Contributions	45,675	55,409	(18%)
Title I Grant	31,884	20,221	58%
Other Unrestricted Income	24,894	15,994	56%
Total Revenues	<u>\$ 471,395</u>	<u>\$ 477,783</u>	(1%)
Expenditures			
Instruction	239,139	\$ 224,366	7%
General Support	<u>277,765</u>	<u>263,882</u>	(5%)
Total Expenses	<u>516,904</u>	<u>488,248</u>	(6%)
Changes in Net Assets	(45,509)	(10,465)	(335%)
Beginning Net Assets	256,110	266,575	4%
Prior Period Adjustments	16,968	-	
Ending Net Assets	<u>\$ 227,569</u>	<u>\$ 256,110</u>	(11%)

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

Total Governmental revenue was comprised of approximately \$392,000 in general revenues and \$79,000 in special and capital project revenues. Total expenditures reported in the funds equaled approximately \$505,000, resulting in a \$34,000 decrease in net assets for the year.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The General fund's balance was approximately \$(14,400). The School generated additional revenue through gifts, grants and bequests in the current year. The School incurred approximately \$422,000 in operating expenditures.

MICANOPY MIDDLE SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009

Special Revenue Fund

The Special Revenue fund's revenue was approximately \$33,000 and incurred the same in related expenditures.

Capital Projects Fund

The Capital Projects Fund revenue was approximately \$47,000. Approximately \$ 52,000 was expended for loan payments in the current fiscal year.

BUDGETARY HIGHLIGHTS

General Fund

Revenues received in the General Fund were funded the School Board of Alachua County for the fiscal year; therefore there were no significant variances.

Total Governmental Fund expenditures were above the budgeted amounts. The variance was generally due to additional material and support services required during fiscal year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

There was no significant capital assets activity during fiscal year ending 2009. Please refer to Note 3 for more detailed information about the School's capital asset activity.

Debt Administration

The School did not enter into any due debt agreements 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. The engagement 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 SCHOOL, INC.
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2009**

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 the President of the Board of Directors, Micanopy Middle School Inc., 708 NW Okehumkee Street, Micanopy, Florida 32667.

MICANOPY MIDDLE SCHOOL, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Primary Government
ASSETS		
Current assets		
Cash and cash equivalents	\$ 13,401	\$ 13,401
Due to other funds	8,204	8,204
Security deposits	<u>400</u>	<u>400</u>
Total current assets	<u><u>22,005</u></u>	<u><u>22,005</u></u>
Non-current assets		
Loan issuance cost		
(Net of accumulated amortization costs of \$5,235)	8,431	8,431
Capital assets		
(Net of accumulated depreciation of \$137,259)	<u>595,984</u>	<u>595,984</u>
Total non-current assets	<u><u>604,415</u></u>	<u><u>604,415</u></u>
TOTAL ASSETS	<u><u>626,420</u></u>	<u><u>626,420</u></u>
 LIABILITIES AND NET ASSETS		
Current liabilities		
Accrued liabilities	13,483	13,483
Current maturities of long term debt (due within one year)	<u>23,547</u>	<u>23,547</u>
Total current liabilities	37,030	37,030
Non-current liabilities		
Long term debt	<u>361,821</u>	<u>361,821</u>
TOTAL LIABILITIES	<u><u>398,851</u></u>	<u><u>398,851</u></u>
 NET ASSETS		
Investment in fixed assets, net of related debt	197,142	197,142
Restricted for capital projects	21,905	21,905
Unrestricted	<u>8,522</u>	<u>8,522</u>
Total net assets	<u><u>227,569</u></u>	<u><u>227,569</u></u>

MICANOPY MIDDLE SCHOOL, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

FUNCTIONS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Total
Primary Government:						
Governmental Activities:						
Basic instruction	\$ 235,660	\$ -	\$ -	\$ -	\$ (235,660)	\$ (235,660)
Other -nstruction	2,386	-	-	-	(2,386)	(2,386)
Instructional staff training services	595	-	-	-	(595)	(595)
Board training	498	-	-	-	(498)	(498)
School administration	126,430	-	-	-	(126,430)	(126,430)
Facilities acquisition & construction	6,774	-	-	45,675	38,901	38,901
Fiscal services	10,662	-	-	-	(10,662)	(10,662)
Food services	4,354	4,342	-	-	(12)	(12)
Assessment & evaluation	489	-	-	-	(489)	(489)
Information services	225	-	-	-	(225)	(225)
Pupil transportation services	33,500	2,538	-	-	(30,962)	(30,962)
Operation of plant	31,934	-	-	-	(31,934)	(31,934)
Maintenance of plant	772	-	-	-	(772)	(772)
Community services	328	-	-	-	(328)	(328)
Loss on disposal of fixed assets	3,165	-	-	-	(3,165)	(3,165)
Depreciation and amortization cost	30,323	-	-	-	(30,323)	(30,323)
Interest on loan	28,809	-	-	-	(28,809)	(28,809)
Total governmental activities	\$ 516,904	\$ 6,880	\$ -	\$ 45,675	\$ (464,349)	\$ (464,349)
General Revenues:						
Title 1 Grant					31,884	31,884
State Source FTE					368,942	368,942
Other income					18,014	18,014
Total General Revenues, Special Items and Transfers					418,840	418,840
Change in net assets					(45,509)	(45,509)
Net assets - beginning of year					256,110	256,110
Prior period adjustment					16,968	16,968
Net assets - end of year					\$ 227,569	\$ 227,569

See Accompanying Notes to the Financial Statements

MICANOPY MIDDLE SCHOOL, INC.
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

ASSETS	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
Cash	\$ -	\$ -	\$ 13,402	\$ 13,402
Security deposits	-	-	400	400
TOTAL ASSETS	-	-	13,802	13,802
Current liabilities				
Accrued expenses	5,279	-	-	5,279
Other current liabilities	-	-	-	-
TOTAL LIABILITIES	5,279	-	-	5,279
Fund Balances:				
Reserved	-	-	21,905	21,905
Unreserved, undesignated	(5,279)	-	(8,103)	(13,382)
TOTAL FUND EQUITY	(5,279)	-	13,802	8,523
TOTAL LIABILITIES AND FUND EQUITY	\$ -	\$ -	\$ 13,802	\$ 13,802

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets for
for the year ended June 30, 2009

Total fund balances - governmental funds \$ 8,523
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 \$ 733,244 and the accumulated depreciation is (\$ 137,260) 595,984

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

Long-term Liabilities	(385,368)
Debt Issuance Costs, Net	8,430

Net Assets of Governmental Activities \$ 227,569

MICANOPY MIDDLE SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Title 1 Grant	\$ -	\$ 31,884	\$ -	\$ 31,884
State Source FTE	368,942	-	-	368,942
Capital Outlay Fund	-	-	45,675	45,675
Gifts, Grants & Bequests	14,533	-	-	14,533
Safe & Drug Free School	-	-	-	-
Earnings on Investments	1	-	-	1
Miscellaneous Income	8,459	1,001	900	10,360
TOTAL REVENUES	<u>391,935</u>	<u>32,885</u>	<u>46,575</u>	<u>471,395</u>
EXPENDITURES				
Basic Instruction	207,438	28,222	-	235,660
Other Instruction	2,386	-	-	2,386
Instructional Staff Training Services	595	-	-	595
Board Training	498	-	-	498
School Administration	121,767	4,663	-	126,430
Facilities Acquisition & Construction	6,774	-	-	6,774
Fiscal Services	10,662	-	-	10,662
Food Services	4,354	-	-	4,354
Assessment & Evaluation	489	-	-	489
Information Services	225	-	-	225
Pupil Transportation Services	33,500	-	1,500	35,000
Operation of Plant	22,796	-	-	22,796
Maintenance of Plant	772	-	-	772
Community Services	328	-	58,516	58,844
TOTAL EXPENDITURES	<u>412,584</u>	<u>32,885</u>	<u>60,016</u>	<u>505,485</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(20,649)</u>	<u>-</u>	<u>(13,441)</u>	<u>(34,090)</u>
TOTAL OTHER FINANCING SOURCES	-	-	-	-
NET CHANGE IN FUND BALANCES	(20,649)	-	(13,441)	(34,090)
FUND BALANCE, July 1, 2008	(1,598)	-	27,243	25,645
Prior year adjustment	<u>16,968</u>	<u>-</u>	<u>-</u>	<u>16,968</u>
FUND BALANCE, June 30, 2009	<u>\$ (5,279)</u>	<u>\$ -</u>	<u>\$ 13,802</u>	<u>\$ 8,523</u>

**MICANOPY MIDDLE SCHOOL, INC.
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE (Continued)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009**

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

Total net change in fund balances - governmental funds \$ (34,090)

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 and Changes in Net Assets, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for Capital Assets	1,500
Current Year Depreciation Expense	(28,985)
Loss on Disposal of Capital Assets	(3,165)

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 (2,674)

Certain charges are not counted towards current year resources and therefore become a reconciling item.

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

Principal Payments	21,905
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Change in net assets of governmental activities	<u><u>\$ (45,509)</u></u>
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MICANOPY MIDDLE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 1 – IDENTIFICATION AND OPERATIONS

Reporting Entity

Micanopy Middle School, Inc. (the “School”) is a non-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 Board of Directors is responsible for School governance and 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 is renewable every 10 years, provided that a program review demonstrates that certain criteria pursuant to 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the Charter term, the District may choose not to renew 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 provides that in the event the school is dissolved or terminated, any unencumbered funds and all school property purchased with public monies 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 School’s basic financial statements to be misleading or incomplete. Based on these criteria, no component units are included with the reporting entity of the School.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The School follows GASB Statement No. 34. 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 comprise its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

MICANOPY MIDDLE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GOVERNMENTAL FUND TYPES

The measurement focus of the Governmental funds is on the determination of financial position and changes in financial position rather than 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, Special Revenue, and Capital Projects funds are all considered to be significant funds and we, therefore, separately presented.

NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES

GASB Statement No. 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 and expenditures when the related liability is incurred.

MICANOPY MIDDLE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Basis of Accounting

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

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, 2009, deposits did not exceed FDIC insurance limits of \$250,000.

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	2-15

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.

MICANOPY MIDDLE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Sources (Continued)

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.

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 absence liability is 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 reported in the governmental funds because governmental funds use the current financial resources measurement focus basis of accounting.

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 SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 3 – CAPITAL ASSETS

The changes in capital asset are as follows:

Description	<u>Balance</u> <u>7/1/2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>6/30/2009</u>
Land	\$ 73,866	\$ -	\$ -	\$ 73,866
Buildings	589,973	-	-	589,973
Improvements	39,016	-	-	39,016
Furniture, fixtures and equipment	<u>34,586</u>	<u>1,500</u>	<u>(5,697)</u>	<u>30,389</u>
	737,441	1,500	(5,697)	733,244
Accumulated depreciation	<u>(110,806)</u>	<u>(28,985)</u>	<u>2,532</u>	<u>(137,259)</u>
Net Capital Asset	<u>\$ 626,635</u>	<u>\$ (27,485)</u>	<u>\$ (3,165)</u>	<u>\$ 595,985</u>

Depreciation expense for the year ended June 30, 2009 totaled \$28,985.

NOTE 4 – LONG-TERM LIABILITIES

The School's long-term liability consists of a note payable to a financial institution, bearing fixed interest for the first five (5) years and then is subject to change based on the current average yield for United States Treasury securities having five years maturities, plus a spread of three hundred basis points. The original note of \$460,000 is secured by a mortgage on the real property and matures in the year 2015.

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due Within</u> <u>One Year</u>
Notes Payable	\$ <u>407,273</u>	\$ <u>-</u>	\$ <u>21,905</u>	\$ <u>385,368</u>	\$ <u>23,547</u>

Future long-term debt obligation is provided below:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2010	\$ 23,547	\$ 27,167	\$ 50,714
2011	25,312	25,402	50,714
2012	27,209	23,505	50,714
2013	29,248	21,466	50,714
Thereafter	<u>280,052</u>	<u>38,767</u>	<u>318,819</u>
Total	<u>\$ 385,368</u>	<u>\$ 136,307</u>	<u>\$ 521,675</u>

MICANOPY MIDDLE SCHOOL, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

NOTE 5 – PRIOR YEAR ADJUSTMENT

During the year, monies relating to the fiscal year ended June 30, 2008 were received and reported as income for the year ended June 30, 2009. These monies were received from the School District and related to the Florida Educational Finance Program. A prior period adjustment was made to properly state fiscal years 2008 and 2009 financial statements and resulted in an increase to the reported net loss of \$16,968.

NOTE 6 – RISK MANAGEMENT PROGRAMS

Workers' compensation and general liability coverage are provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims have not exceeded the commercial coverage limits.

NOTE 7 – 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, 2009**

	<u>GENERAL</u>		<u>SPECIAL REVENUE</u>		<u>CAPITAL PROJECTS</u>	
	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL	ORIGINAL BUDGET	ACTUAL
REVENUES						
Title 1 Grant	\$ -	\$ -	\$ -	\$ 31,884	\$ -	\$ -
State Source FTE	378,000	368,942	-	-	-	-
Capital Outlay Fund	-	-	-	-	54,000	45,675
Gifts, Grants & Bequests	-	14,533	-	-	-	-
Rent	-	-	-	-	-	-
Interest Income	-	1	-	-	-	-
Miscellaneous Income	6,000	8,459	-	1,001	-	900
TOTAL REVENUES	<u>384,000</u>	<u>391,935</u>	<u>-</u>	<u>32,885</u>	<u>54,000</u>	<u>46,575</u>
EXPENDITURES						
Basic Instruction	128,892	207,438	-	28,222	-	-
Other Instruction	-	2,386	-	-	-	-
Instructional Staff Training Services	-	595	-	-	-	-
Board Training	-	498	-	-	-	-
School Administration	142,032	121,767	-	4,663	-	-
Facilities Acquisition & Construction	7,000	6,774	-	-	-	-
Fiscal Services	4,800	10,662	-	-	-	-
Food Services	-	4,354	-	-	-	-
Assessment & Evaluation	-	489	-	-	-	-
Information Services	-	225	-	-	-	58,516
Pupil Transportation Services	43,332	33,500	-	-	-	1,500
Operation of Plant	68,940	22,796	-	-	-	-
Maintenance of Plant	-	772	-	-	-	-
Community Services	-	328	-	-	-	-
Debt Services	-	-	-	-	50,724	-
TOTAL EXPENDITURES	<u>394,996</u>	<u>412,584</u>	<u>-</u>	<u>32,885</u>	<u>50,724</u>	<u>60,016</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (10,996)</u>	<u>\$ (20,649)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,276</u>	<u>\$ (13,441)</u>

See Accompanying Notes to the Financial Statements

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Micanopy Middle School, Inc., as of and for the year ended June 30, 2009, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 23, 2009. 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 the School's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 School'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 School's financial statements that is more than inconsequential will not be prevented or detected by the School's internal control.

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 School's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School, in a separate letter dated September 23, 2009.

This report is intended solely for the information and use of Micanopy Middle School Inc's., management, the Board of Directors, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties

Harney Lovington Thomas, S. C. P. C.

Hollywood, Florida
September 23, 2009

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INDEPENDENT AUDITOR'S LETTER TO MANAGEMENT

September 23, 2009

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

We have audited the basic financial statements of Micanopy Middle School, Inc.; (the "School") as of and for the fiscal year ended June 30, 2009, and have issued our report thereon dated September 23, 2009.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters based on the audit of the financial statements performed in accordance with *Government Auditing Standards*, dated September 23, 2009, and should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.850, Rules of the Auditor General, which governs the conduct of the audits for charter schools and similar entity performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports and/or schedule:

Section 10.854(1)(e)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report (except as noted on Page 27 "Status of Prior Year Management Letter Comments").

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, we did not have any such recommendations.

Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.

Page Two

Section 10.854(1)(e)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on the financial statements considering both quantitative and qualitative factors:

- (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse,
- (2) control deficiencies that are not significant deficiencies.

In connection with our audit, we did not have any such findings.

Section 10.854(1) (e) 6, Rules of the Auditor General, requires the name or official title of the School. The official title of the school is Micanopy Middle School, Inc.

Section 10.854(1)(e)2., Rules of the Auditor General, requires a statement be included 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 Micanopy Middle School, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Sections 10.854(1) (3)7.a. and 10.855(10), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Micanopy Middle School Inc'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.

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, the Florida Auditor General and the grantor agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Harvey Lorington J. Thomas, S.S.C.

Hollywood, Florida

September 23, 2009

**MICANOPY MIDDLE SCHOOL, INC.,
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009**

09-ML-01

Criteria:

During our audit procedures, we observed that the filing system used by the School has deteriorated. Documents to support transactions were not properly fastened in a folder and were placed loosely in a file jacket.

Condition:

The School cannot effectively locate and retain documents in the absence of proper filing system.

Recommendation:

We recommend the School design a proper document retention policy and procedure which will aide in locating and securing documents on a timely basis.

Reason Improvement Needed:

It is an essential to implement a proper filing and document retention system in order to minimize “missing” documents and in order to meet the document retention policy as recommended by the State. A proper documentation policy also reduces the risk of deliberate fraud by minimizing the possibility of misplaced documentation. It also serves in establishing a proper audit trail.

Management Response:

Management agrees with Auditor’s findings and will implement in the next fiscal year.

**MICANOPY MIDDLE SCHOOL, INC.,
SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2009**

09-ML-02

Criteria:

During our procedures, we noted that the insured value for insurance purposes for building was lower than the book value of the building in the amount of \$93,989.

Condition:

It is essential that the insured value be at least or equal to the book value of insured assets. This will at least ensure that the cost of replacing the insured asset will be recovered and that the cash flow in the advent of a disaster will be assisted.

Recommendation:

We recommend the School consider increasing the insured value of the assets insured to at least the historical cost of the asset.

Reason Improvement Needed:

The School will be better suited to effectively replace the asset in the event of a disaster.

Management Response:

Management agrees with Auditor's findings and will implement in the next fiscal year.

**MICANOPY MIDDLE SCHOOL, INC.,
STATUS OF PRIOR YEAR MANAGEMENT LETTER COMMENTS
JUNE 30, 2009**

At the completion of the audit for fiscal year 2008 recommendations were made and were to be addressed during the fiscal year 2009. 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 2008 recommendations, is described below.

<u>Recommendation</u>	<u>Status</u>
<p>08-ML-01</p> <p>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.</p>	<p>Implemented</p>
<p>08-ML-02</p> <p>Recommendation We recommend the School consider marking "Received" and "Paid" on incoming and processed invoices and details of checks should also be added to the invoices.</p>	<p>Partially Implemented</p>
<p>08-ML-03</p> <p>Recommendation 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-expenditure and help to ensure the School's financial stability.</p>	<p>Partially Implemented</p>