

A decorative border of colored pencils surrounds the text. The pencils are arranged in a rectangular frame. The top row consists of 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 Area Cooperative
School, Inc.

Financial Statements
And
Independent Auditors' Report

June 30, 2010

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community.

**808 NW 16th Avenue, Suite B
Gainesville, Florida 32601**

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A light blue pencil holder containing several colored pencils: red, yellow, blue, green, and brown.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2010

MICANOPY AREA COOPERATIVE SCHOOL

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors,
Micanopy Area Cooperative School

We have audited the accompanying financial statements of the governmental activities and each major fund of Micanopy Area Cooperative School (the "School"), a component unit of the Alachua County District School Board, as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 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 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, 2010, and the respective changes in financial position thereof 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 a report dated September 17, 2010 on our consideration of the School's internal control over financial reporting and 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.

Management's discussion and analysis and the budgetary comparison schedules are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

Kattell and Company, P.L.

September 17, 2010
Gainesville, Florida

Management's Discussion and Analysis

June 30, 2010

Micanopy Area Cooperative School

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, 2010. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2010:

- The School's overall net assets increased by approximately \$88,400, which is about 11%.
- Unrestricted net assets at June 30, 2010 was \$316,368.
- The School had total expenses for the year of about \$863,300, compared to revenues of approximately \$951,700.
- The School served a population of approximately 118 students in 2009, serving grades K-5.

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 assets and liabilities using the accrual basis of accounting. Accrual accounting is similar to the accounting used by most private-sector companies. All of the current year 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 increases and decreases 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 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.

- Governmental funds – These 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 governmental 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.

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

Management's Discussion and Analysis
June 30, 2010
Micanopy Area Cooperative School

CONDENSED FINANCIAL INFORMATION

The following table presents condensed, government-wide current year and prior year data about net assets and changes in net assets.

	2010	2009
	Governmental	Governmental
	Activities	Activities
Net Assets		
Assets:		
Non-capital Assets	\$ 359,338	\$ 309,757
Capital Assets, Net	652,289	660,946
Total Assets	<u>1,011,627</u>	<u>970,703</u>
Liabilities:		
Current Liabilities	74,330	49,595
Noncurrent Liabilities	15,240	87,414
Total Liabilities	<u>89,570</u>	<u>137,009</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	605,689	554,427
Unrestricted	316,368	279,267
Total Net Assets	<u>\$ 922,057</u>	<u>\$ 833,694</u>
Change in Net Assets		
Program Revenues:		
Charges for Services	\$ 59,280	\$ 90,569
Operating Grants	31,317	20,373
Capital Grants & Contributions	58,381	59,164
General Revenues:		
Title I Grant	40,420	29,015
Florida Education Finance Program	720,474	630,273
Unrestricted Grants & Contributions	25,277	11,562
Miscellaneous	16,543	20,175
Total Revenues	<u>951,692</u>	<u>861,131</u>
Program Expenses:		
Instruction	562,886	499,739
Instructional Support Services	3,877	4,329
General Support	290,535	275,391
Interest on Long-term Debt	6,031	8,597
Total Expenses	<u>863,329</u>	<u>788,056</u>
Change in Net Assets	88,363	73,075
Beginning Net Assets	833,694	760,619
Ending Net Assets	<u>\$ 922,057</u>	<u>\$ 833,694</u>

Management's Discussion and Analysis
June 30, 2010
Micanopy Area Cooperative School

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$148,978 in program revenues and \$802,714 of general revenues, and incurred \$863,329 of program expenses. This resulted in an \$88,363 increase in net assets. There are two reasons for the increase in net assets: responsible fiscal management and paying down our mortgage debt.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The fund balance of the General Fund has increased by \$19,562, from \$332,192 to \$351,754. The increase in the General Fund is not a large increase, and I would attribute it to responsible fiscal management.

Special Revenue Fund

The fund balance of the Special Revenue Fund remained the same at \$0 which means that all grant funds were spent during the year. This is expected due to the nature of the Title I grant funds.

Capital Projects Fund

The fund balance of the Capital Project Fund increased by \$1,539 from \$(23,925) to \$(22,386). The increase in the Capital Projects Fund was very small and represents a break even year.

BUDGETARY HIGHLIGHTS

General Fund. The differences between the original budget and the final budget were due to an increase in the number of students and therefore, an increase in FTE revenue. There were no differences between the final budget and actual amounts.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School had no significant capital asset activity. 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 issued no new debt during the year. The School made scheduled payments on existing long-term debt plus additional payments. Please refer to a note to the accompanying financial statements entitled *Long Term Liabilities* for more detailed information about the School's long-term 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 Anne Thomson, (Principal), Micanopy Area Cooperative School, 802 N.W. Seminary Street, Micanopy Florida 32667.

Statement of Net Assets
June 30, 2010
Micanopy Area Cooperative School

Assets	Governmental Activities
Cash and Cash Equivalents	\$ 347,995
Other Assets	11,343
Capital Assets:	
Not Depreciable Capital Assets, Net	50,766
Depreciable Capital Assets, Net	601,523
Total Assets	1,011,627
Liabilities	
Accounts Payable	29,970
Long-Term Liabilities:	
Due Within One Year	44,360
Due in More Than One Year	15,240
Total Liabilities	89,570
Net Assets	
Invested in Capital Assets, Net of Related Debt	605,689
Unrestricted	316,368
Total Net Assets	\$ 922,057

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2010
Micanopy Area Cooperative School

	Program Revenues			Net (Expense) Revenue and Change in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions		Capital Grants and Contributions
Functions/Programs:					
Governmental Activities:					
Instruction	\$ (562,886)	\$ 38,327	\$ --	\$ --	\$ (524,559)
Instructional Support Services	(3,877)	--	--	--	(3,877)
General Support	(290,535)	20,953	31,317	58,381	(179,884)
Interest on Long Term Debt	(6,031)	--	--	--	(6,031)
Total	<u>\$ (863,329)</u>	<u>\$ 59,280</u>	<u>\$ 31,317</u>	<u>\$ 58,381</u>	<u>(714,351)</u>

General Revenues:

Federal through State:	
Title I Grant	40,420
State Revenue:	
Florida Education Finance Program	720,474
Other State Revenues	13,821
Unrestricted Grants and Contributions	25,277
Unrestricted Investment Earnings	<u>2,722</u>
Total General Revenues	<u>802,714</u>
Change in Net Assets	88,363
Net Assets – Beginning of Year	<u>833,694</u>
Net Assets – End of Year	<u><u>\$ 922,057</u></u>

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2010
Micanopy Area Cooperative School

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash	\$ 347,995	\$ --	\$ --	\$ 347,995
Due from Other Funds	22,386	--	--	22,386
Other Assets	<u>11,343</u>	<u>--</u>	<u>--</u>	<u>11,343</u>
Total Assets	<u>\$ 381,724</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 381,724</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 5,396	\$ --	\$ --	\$ 5,396
Salaries Payable	24,574	--	--	24,574
Due to Other Funds	<u>--</u>	<u>--</u>	<u>22,386</u>	<u>22,386</u>
Total Liabilities	29,970	--	22,386	52,356
Fund Balances:				
Unreserved	<u>351,754</u>	<u>--</u>	<u>(22,386)</u>	<u>329,368</u>
Total Fund Balances	<u>351,754</u>	<u>--</u>	<u>(22,386)</u>	<u>329,368</u>
Total Liabilities and Fund Balances	<u>\$ 381,724</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 381,724</u>

See accompanying notes.

Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
June 30, 2010
Micanopy Area Cooperative School

Fund Balances – Total Governmental Funds	\$ 329,368
Amounts reported for Governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not reported in the governmental funds.	
Capital Assets – Net of Accumulated Depreciation	652,289
Long-term liabilities are not reported in the governmental funds	
Note Payable	(46,600)
Compensated Absences	<u>(13,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 922,057</u></u>

See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2010
Micanopy Area Cooperative School**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Federal through State:				
Title I Grant	\$ --	\$ 40,420	\$ --	\$ 40,420
National School Lunch	31,317	--	--	31,317
State Revenue:				
Florida Education Finance Program	720,474	--	--	720,474
Public Education Capital Outlay	--	--	58,381	58,381
Voluntary Prekindergarten	34,799	--	--	34,799
Other State Revenues	13,821	--	--	13,821
Local Revenue:				
Meal Service Revenue	20,953	--	--	20,953
Gifts and Grants	25,277	--	--	25,277
Other Local Revenues	6,250	--	--	6,250
Total Revenues	852,891	40,420	58,381	951,692
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	565,505	37,110	--	602,615
Instructional Support Services	672	3,205	--	3,877
General Support	242,152	105	--	242,257
Capital Outlay	--	--	15,892	15,892
Debt Service:				
Principal	25,000	--	34,919	59,919
Interest	--	--	6,031	6,031
Total Expenditures	833,329	40,420	56,842	930,591
Excess of Revenues Over/(Under) Expenditures	19,562	--	1,539	21,101
Fund Balances, July 1, 2009	332,192	--	(23,925)	308,267
Fund Balances, June 30, 2010	\$ 351,754	\$ --	\$ (22,386)	\$ 329,368

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, 2010
Micanopy Area Cooperative School**

Excess of Revenues over Expenditures – Total Governmental Funds \$ 21,101

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	26,810
Current Year Depreciation Expense	(35,467)

Repayment of principal is an expenditure in the governmental funds, but has no effect on net assets.

Principal Payments	59,919
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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.

Compensated Absences	<u>16,000</u>
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Change in Net Assets of Governmental Activities	<u>\$ 88,363</u>
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See accompanying notes.

Notes to the Financial Statements
June 30, 2010
Micanopy Area Cooperative School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Micanopy Area Cooperative School 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

Micanopy Area Cooperative School, 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 Area Cooperative School (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, 2017, and may be renewed up to an additional 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. 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 Assets 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 interfund activity has been eliminated from the government-wide financial statements.

The Statement of Net Assets reports the School’s financial position as of the end of the fiscal year. In this statement, the School’s net assets are reported in three categories: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

Notes to the Financial Statements
June 30, 2010
Micanopy Area Cooperative School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide Financial Statements (concluded)

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.

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 items are considered to be measurable and available only when cash is received.

Notes to the Financial Statements
June 30, 2010
Micanopy Area Cooperative School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

Cash consists of deposits in financial institutions. At times, such deposits may be in excess of the Federal Deposit Insurance Corporation (FDIC) insurance limit. At June 30, 2010, there was \$120,298 in excess of FDIC insurance coverage. The School has no policy regarding deposit custodial credit risk.

Capital Assets and Depreciation

Capital assets are defined by the School as assets with an initial, individual cost of \$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	5 – 30
Improvements	5 – 30
Furniture, Fixtures and Equipment	5 – 10

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 full-time equivalent (FTE) students and related data to the Florida Department of Education (FDOE) for funding through the Florida Education Finance Program. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under the Florida Educational 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 also receives other financial assistance. This assistance is generally based on applications submitted to and approved by the granting agency.

Compensated Absences

The School's personnel policies allow a limited accumulation and vesting of unused employee vacation and sick leave time. The liability of compensated absences is accrued when incurred in the government-wide financial statements. In the fund financial statements, a liability for compensated absences is reported to the extent that the liability be liquidated with expendable available financial resources. Compensated absences are liquidated from the General Fund.

Long-term Liabilities

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.

Notes to the Financial Statements
June 30, 2010
Micanopy Area Cooperative School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

Net Assets

Net assets represent the difference between assets and liabilities and are reported in three categories as hereafter described. Net assets *invested in capital assets, net of related debt*, represent capital assets, net of accumulated depreciation and any outstanding debt related to those assets. Net assets are 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 assets are net assets that do 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.

Reserved Fund Balance

In the Accompanying fund financial statements, the use of the term *reserved* is limited to indicating that a portion of reported fund equity is legally restricted to a specific future use or is not available for appropriation or expenditure.

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.

NOTE 2 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Capital Assets not Being Depreciated:				
Land	\$ 50,766	\$ --	\$ --	\$ 50,766
Capital Assets Being Depreciated:				
Buildings	630,113	--	--	630,113
Improvements other than Buildings	116,705	--	--	116,705
Furniture, Fixtures & Equipment	72,911	26,810	(24,797)	74,924
Total Capital Assets	<u>870,495</u>	<u>26,810</u>	<u>(24,797)</u>	<u>872,508</u>
Accumulated Depreciation:				
Buildings:	110,846	21,533	--	132,379
Improvements other than Buildings	41,527	8,259	--	49,786
Furniture, Fixtures & Equipment	57,176	5,675	(24,797)	38,054
Total Accumulated Depreciation	<u>209,549</u>	<u>35,467</u>	<u>(24,797)</u>	<u>220,219</u>
Net Capital Assets	<u>\$ 660,946</u>	<u>\$ (8,657)</u>	<u>\$ --</u>	<u>\$ 652,289</u>

Depreciation was charged to functions/programs as follows:

Instructional Support	\$ 3,081
General Support	<u>32,386</u>
Total	<u>\$ 35,467</u>

Notes to the Financial Statements
June 30, 2010
Micanopy Area Cooperative School

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 any of the last three years.

NOTE 4 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010	Amount Due In 1 Year
Notes Payable	\$ 106,519	\$ --	\$ 59,919	\$ 46,600	\$ 39,160
Compensated Absences	29,000	26,000	42,000	13,000	5,200
Total	<u>\$ 135,519</u>	<u>\$ 26,000</u>	<u>\$ 101,919</u>	<u>\$ 59,600</u>	<u>\$ 44,360</u>

The School has financed the construction of a classroom addition with an agreement with a financial institution for \$145,000 and an interest rate of 6.45%.

Scheduled debt service payments are as follows. However, the loan was paid in full in July 2010.

Fiscal Year Ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 39,160	\$ 1,790	\$ 40,950
2012	7,440	141	7,581
Total	<u>\$ 46,600</u>	<u>\$ 1,931</u>	<u>\$ 48,531</u>

NOTE 5 – EMPLOYEE RETIREMENT PLAN

The School made contributions on behalf of its employees to a defined contribution 403(b) Tax-Sheltered Annuity Plan, managed by The Legend Group. Employee contributions were approximately \$31,800 and \$23,600 for the years ending June 30, 2010 and 2009, respectively. Employer contributions were four percent of each eligible employee's gross pay for the contract year and amounted to approximately \$11,500 and \$6,700 for the years ending June 30, 2010 and 2009, respectively. The Board of Directors has the authority to amend or terminate the plan, although it has not expressed intention to do so.

NOTE 6 – INTERFUND BALANCES

At June 30, 2010, interfund balances are as follows:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 22,386	\$ --
Capital Projects Fund	--	22,386
Total	<u>\$ 22,386</u>	<u>\$ 22,386</u>

Interfund balances resulted from a deficit in the Capital Projects Fund and are expected to be paid within a year.

**Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2010
Micanopy Area Cooperative School**

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal through State:				
National School Lunch	\$ 21,870	\$ 31,317	\$ 31,317	\$ --
State Revenue:				
Florida Education Finance Program	645,214	720,474	720,474	--
Voluntary Prekindergarten	36,450	34,799	34,799	--
Other State Revenues	--	13,821	13,821	--
Local Revenue:				
Meal Service Revenue	19,130	20,953	20,953	--
Gifts and Grants	--	25,277	25,277	--
Other Local Revenue	--	6,250	6,250	--
Total Revenues	<u>722,664</u>	<u>852,891</u>	<u>852,891</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	475,469	565,505	565,505	--
Instructional Support Services	2,309	672	672	--
General Support	243,260	242,152	242,152	--
Debt Service:				
Principal	--	25,000	25,000	--
Total Expenditures	<u>721,038</u>	<u>833,329</u>	<u>833,329</u>	<u>--</u>
Excess of Revenues Over (Under)Expenditures	1,626	19,562	19,562	--
Fund Balances, July 1, 2009	<u>--</u>	<u>332,192</u>	<u>332,192</u>	<u>--</u>
Fund Balances, June 30, 2010	<u>\$ --</u>	<u>\$ 351,754</u>	<u>\$ 351,754</u>	<u>\$ --</u>

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.

**Budgetary Comparison Schedule – Special Revenue Fund
For the Year Ended June 30, 2010
Micanopy Area Cooperative School**

	<u>BUDGETED AMOUNTS</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Federal through State:				
Title I Grant	\$ 37,546	\$ 40,420	\$ 40,420	\$ --
Total Revenues	37,546	40,420	40,420	--
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	37,110	37,110	37,110	--
Instructional Support Services	436	3,205	3,205	--
General Support	--	105	105	--
Total Expenditures	37,546	40,420	40,420	--
Excess of Revenues Over (Under)Expenditures	--	--	--	--
Fund Balances, July 1, 2009	--	--	--	--
Fund Balances, June 30, 2010	\$ --	\$ --	\$ --	\$ --

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.

Kattell and Company, P.L.

A Certified Public Accounting Firm Serving the Nonprofit Community

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

September 17, 2010

To the Board of Directors
Micanopy Area Cooperative School

We have audited the financial statements of Micanopy Area Cooperative School (the Organization) for the year ended June 30, 2010, and have issued our report thereon dated September 17, 2010. 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 May 21, 2010. 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 Organization 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 Organization 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. There are no estimates that are particularly sensitive.

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. Management has reviewed and approved a listing of proposed adjustments. There are no uncorrected misstatements.

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 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.

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.

This information is intended solely for the use of management and the board of Directors of the Organization 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.

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MANAGEMENT LETTER

To the Board of Directors,
Micanopy Area Cooperative School, Inc.

We have audited the financial statements of Micanopy Area Cooperative School, Inc. (the "School"), as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 17, 2010.

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 Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters and our Schedule of Findings. Disclosures in that report and schedule 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 govern the conduct of charter school and similar entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

Prior Audit Findings. The Rules of the Auditor General require 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 the recommendations made in the preceding annual financial audit report. In that regard, 10-1 addresses matters similar to finding 09-1 of the preceding report.

Recommendations to Improve Financial Management. Rules of the Auditor General require that we address any recommendations to improve financial management. We did not have any such recommendations.

Immaterial Noncompliance. Rules of the Auditor General require that we address violations of laws, regulations, contract 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 more than inconsequential. We did not have any such findings.

Other Matters. Section 10.854(1)(e)4, Rules of the Auditor General, provides that the auditor may report other matters that are inconsequential to the determination of financial statement amounts. There are no other matters that, based on our professional judgment, will be included in this management letter.

Name. The name or official title of the School is Micanopy Area Cooperative School, Inc.

Financial Emergency. Rules of the Auditor General require 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. We determined that the School did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Financial Condition Assessment. Rules of the Auditor General require that we apply financial condition assessment procedures. 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 management. We did not identify deteriorating financial conditions.

* * * * *

Pursuant to Chapter 119, Florida Statutes, the 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 and the Board of Directors of the School, the District School Board and the State of Florida Auditor General, 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.

September 17, 2010
Gainesville, Florida

Kattell and Company, P.L.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

To the Board of Directors,
Micanopy Area Cooperative, Inc.

We have audited the financial statements of the governmental activities and each major fund of Micanopy Area Cooperative School (the "School") as of and for the year ended June 30, 2010, which collectively comprise the School's basic financial statements and have issued our report thereon dated September 17, 2010. 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 (internal control) 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 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings as 10- and 10-2 that we consider to be significant deficiencies in internal control. A significant deficiency is a deficiency, or 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.

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*.

This report is intended solely for the information and use of the School's management and Board of Directors, the District School Board and the State of Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Kattell and Company, P.L.

September 17, 2010
Gainesville, Florida

Schedule of Findings
June 30, 2010
Micanopy Area Cooperative School

10-01 *Finding* – As a result of our auditing procedures, we recommended four adjusting journal entries. When posted to the accounting records, these entries decreased net assets by \$12,425. Under generally accepted standards for internal controls, the School should have procedures in place to identify and make these adjustments.

Recommendation – The School should gain an understanding of the adjustments made and make efforts to ensure that similar adjustments are made on an ongoing basis and especially as part of year end preparations for the audit.

10-02 *Finding* – Procedures for billing, collection and deposit of lunch money did not include sufficient segregation of duties to reduce the risk of skimming of receipts to a low level.

Recommendation – The School should review its procedures for billing, collection and deposit of receipts so that the individual responsible for maintaining records of amounts receivable does not have access to the cash.



Micanopy Area Cooperative School

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Director
Anne Thomson

September 17, 2010

Mr. Stephen Kattell
Kattell and Company, P.L.
808-B NW 16th Avenue
Gainesville, FL 32601

Dear Mr. Kattell,

In response to the Micanopy Area Cooperative School audit for the 2009 – 2010 school year, I have noted the suggestion made for improvement and will take the necessary steps to implement procedures that will improve our internal controls.

I would like to take this opportunity to thank you for the professionalism in which this audit was conducted. I appreciate all of your help and suggestion for improvement.

Thank you for all your time and effort in our behalf.

Sincerely,

Anne M. Thomson
Director

“Incorporating the town of Micanopy as the classroom”