



**MICANOPY MIDDLE SCHOOL, INC.  
MICANOPY, FLORIDA**

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**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT THEREON  
FOR THE YEAR ENDED JUNE 30, 2010**

**HCT**

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# MICANOPY MIDDLE SCHOOL, INC.

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Micanopy Middle School, Inc.

We have audited the accompanying financial statements of the governmental activities and each major fund of Micanopy Middle School, Inc. (the "School"), 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 the School as of June 30, 2010, 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 1, 2010, on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 on pages 3 – 8 and the budgetary comparison schedule on page 20 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.

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

Hollywood, Florida  
September 1, 2010

**MICANOPY MIDDLE SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

This discussion and analysis of the School's (the "School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 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 total net assets were approximately \$ 220,000.
- ❖ Total ending deficit in unrestricted net assets were approximately \$ 9,600.
- ❖ The School had total expenses for the year of about \$ 495,000 compared to revenue of approximately \$ 487,000.

The School remained within the budget set by the Board of Directors for the fiscal year ended June 30, 2010.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements**

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

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

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

**MICANOPY MIDDLE SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

**Fund Financial Statements**

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

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

The School maintains three major funds. The General Fund, the Special Revenue Fund, and the Capital Projects Fund, are considered to be major funds. Due to the request of Management, these funds are displayed separately.

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

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

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

**MICANOPY MIDDLE SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

**CONDENSED FINANCIAL INFORMATION**

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

	<b>2010</b>	<b>2009</b>	
Non-Capital Assets	\$ 15,465	\$ 22,005	(30%)
Capital Assets, Net	578,447	604,415	(4%)
<b>Total Assets</b>	<b><u>\$ 593,912</u></b>	<b><u>\$ 626,420</u></b>	<b>(5%)</b>
Current Liabilities	11,377	13,483	(16%)
Non-current Liabilities	362,163	385,368	(6%)
<b>Total Liabilities</b>	<b><u>373,540</u></b>	<b><u>398,851</u></b>	<b>(6%)</b>
Net Assets			
Invested in capital assets, net of related debt	216,285	197,142	10%
Restricted	13,742	21,905	(37%)
Unrestricted	(9,655)	8,522	(213%)
<b>Total net assets</b>	<b><u>\$ 220,372</u></b>	<b><u>\$ 227,569</u></b>	<b>(3%)</b>

As noted previously, net assets may serve over time as a useful indicator of the School's financial position. The School's net assets totaled approximately \$ 220,000 as of June 30, 2010. Of this amount, \$ 216,285 (net of related debt) has been invested in capital assets. The School uses the capital assets to provide services to the students.

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

**MICANOPY MIDDLE SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**Changes in Micanopy Middle School, Inc's Net Assets**

	<b>Total Governmental Activities</b>		<b>Total Percentage Change</b>
	<b>2010</b>	<b>2009</b>	
<b>Revenues</b>			
Florida Educational Finance Program	\$ 419,862	\$ 368,942	14%
Capital Grants and Contributions	50,654	45,675	11%
Title I Grant	4,521	31,884	(86%)
Other Unrestricted Income	12,266	24,894	(51%)
<b>Total Revenues</b>	<b><u>\$ 487,303</u></b>	<b><u>\$ 471,395</u></b>	3%
<b>Expenses</b>			
Instruction	213,943	239,139	(11%)
General Support	280,557	277,765	1%
<b>Total Expenses</b>	<b><u>494,500</u></b>	<b><u>516,904</u></b>	(4%)
<b>Changes in Net Assets</b>	(7,197)	(45,509)	(84%)
Beginning Net Assets	227,569	256,110	(11%)
Prior Period Adjustments	-	16,968	
Ending Net Assets	<b><u>\$ 220,372</u></b>	<b><u>\$ 227,569</u></b>	(3%)

**OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS**

**Governmental Activities**

The governmental revenue was comprised of approximately \$ 432,000 in general revenues and approximately \$ 55,000 in special and capital project revenues. Total expenditures reported in the funds equaled approximately \$ 492,000, resulting in a \$ 4,000 decrease in net assets.

**THE SCHOOL'S INDIVIDUAL FUNDS**

**General Fund**

The General Fund's fund balance was approximately \$ (9,700). The School generated additional revenue through gifts, grants and bequests in the current year. The School incurred approximately \$ 437,000 in operating expenditures.

**MICANOPY MIDDLE SCHOOL, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2010**

**Special Revenue Fund**

The Special Revenue fund's revenue was approximately \$ 5,000 and incurred the same in related expenditures.

**Capital Projects Fund**

The Capital Projects Fund revenue was approximately \$ 50,700. Approximately \$ 50,700 was expended for loan payments in the current fiscal year.

**BUDGETARY HIGHLIGHTS**

**General Fund**

Revenues received in the General Fund were granted by the Alachua County School Board for the fiscal year, therefore there were no variances.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

There was no significant capital assets activity during 2010. Please refer to Note 2 for more detailed information about the School's capital asset activity.

**Debt Administration**

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

**ECONOMIC FACTORS**

Economic factors that could affect the School's operations may include operational changes, limited classroom space, and the State's base student allocation. We did not identify any conditions that have or are expected to have, a significant effect on the School's financial position or results of operations.

**MICANOPY MIDDLE SCHOOL, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

**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 Dr. Bobby Johnson, Director, 708 Northwest Okehumkee Street, Micanopy, Florida 32667.



**MICANOPY MIDDLE SCHOOL, INC.**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2010**

	<u>Governmental Activities</u>	<u>Primary Government</u>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 14,531	\$ 14,531
Receivables	400	400
Prepaid and deposits	<u>534</u>	<u>534</u>
<b>Total current assets</b>	<u>15,465</u>	<u>15,465</u>
<b>Non-current assets</b>		
Loan issuance cost		
(Net of accumulated amortization costs of \$6,572)	7,094	7,094
Capital assets		
(Net of accumulated depreciation of \$154,786)	<u>571,353</u>	<u>571,353</u>
<b>Total non-current assets</b>	<u>578,447</u>	<u>578,447</u>
<b>TOTAL ASSETS</b>	<u><b>\$ 593,912</b></u>	<u><b>\$ 593,912</b></u>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	11,377	11,377
Current maturities of long term debt (due within one year)	<u>25,312</u>	<u>25,312</u>
<b>Total current liabilities</b>	36,689	36,689
<b>Non-current liabilities</b>		
Long term debt	<u>336,851</u>	<u>336,851</u>
<b>TOTAL LIABILITIES</b>	<u><b>373,540</b></u>	<u><b>373,540</b></u>
 <b>NET ASSETS</b>		
Investment in fixed assets, net of related debt	216,285	216,285
Restricted for capital projects	13,742	13,742
Unrestricted	<u>(9,655)</u>	<u>(9,655)</u>
<b>Total net assets</b>	<u><b>220,372</b></u>	<u><b>220,372</b></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><b>\$ 593,912</b></u>	<u><b>\$ 593,912</b></u>

*See Accompanying Notes to the Basic Financial Statements.*

**MICANOPY MIDDLE CHARTER SCHOOL, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

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
<b>Primary Government:</b>						
Governmental Activities:						
Basic instruction	\$ 209,612	\$ -	\$ -	\$ -	\$ (209,612)	\$ (209,612)
Other instruction	2,195	-	-	-	(2,195)	(2,195)
Instructional staff training services	2,136	-	-	-	(2,136)	(2,136)
School administration	146,499	-	-	-	(146,499)	(146,499)
Facilities acquisition & construction	16,968	-	-	50,654	33,686	33,686
Fiscal services	3,906	-	-	-	(3,906)	(3,906)
Food services	1,987	860	-	-	(1,127)	(1,127)
Information services	275	-	-	-	(275)	(275)
Pupil transportation services	12,873	529	-	-	(12,344)	(12,344)
Operation of plant	34,476	-	-	-	(34,476)	(34,476)
Maintenance of plant	450	-	-	-	(450)	(450)
Community services	8,598	-	-	-	(8,598)	(8,598)
Depreciation and amortization cost	25,967	-	-	-	(25,967)	(25,967)
Interest on loan	28,558	-	-	-	(28,558)	(28,558)
<b>Total governmental activities</b>	<b>\$ 494,500</b>	<b>\$ 1,389</b>	<b>\$ -</b>	<b>\$ 50,654</b>	<b>\$ (442,457)</b>	<b>\$ (442,457)</b>
<b>General Revenues:</b>						
					4,521	4,521
					419,862	419,862
					10,877	10,877
					<u>435,260</u>	<u>435,260</u>
					<b>(7,197)</b>	<b>(7,197)</b>
					<u>227,569</u>	<u>227,569</u>
					<u>\$ 220,372</u>	<u>\$ 220,372</u>

*See Accompanying Notes to the Basic Financial Statements.*

**MICANOPY MIDDLE CHARTER SCHOOL, INC.**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2010**

ASSETS	Major Funds			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	
Cash	\$ 1,190	\$ -	\$ 13,342	\$ 14,532
Receivables	400	-	-	400
Prepaid and Security deposits	134	-	400	534
<b>TOTAL ASSETS</b>	<b><u>1,724</u></b>	<b><u>-</u></b>	<b><u>13,742</u></b>	<b><u>15,466</u></b>
Accounts Payable	10,119	-	-	10,119
Current liabilities	1,258	-	-	1,258
<b>TOTAL LIABILITIES</b>	<b><u>11,377</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>11,377</u></b>
Fund Balances:				
Reserved	-	-	13,742	13,742
Unreserved, undesignated	(9,655)	-	-	(9,655)
<b>TOTAL FUND EQUITY</b>	<b><u>(9,655)</u></b>	<b><u>-</u></b>	<b><u>13,742</u></b>	<b><u>4,088</u></b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 1,723</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 13,742</u></b>	<b><u>\$ 15,465</u></b>

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets for  
for the year ended June 30, 2010

**Total fund balances - governmental funds** \$ 4,088

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 \$ 726,139 and the accumulated depreciation is (\$ 154,786) 571,353

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

Long-term Liabilities	(362,163)
Debt Issuance Costs, Net	<u>7,094</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 220,372</u></b>

**MICANOPY MIDDLE CHARTER SCHOOL, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Major Funds			TOTAL GOVERNMENTAL FUNDS
	GENERAL	SPECIAL REVENUE	CAPITAL PROJECT	
<b>REVENUES</b>				
Title 1 Grant	\$ -	\$ 4,521	\$ -	\$ 4,521
State Source FTE	419,862	-	-	419,862
Capital Outlay Fund	-	-	50,654	50,654
Gifts, Grants & Bequests	9,490	-	-	9,490
Earnings on Investments	3	-	-	3
Miscellaneous Income	<u>2,772</u>	<u>-</u>	<u>-</u>	<u>2,772</u>
<b>TOTAL REVENUES</b>	<b><u>432,127</u></b>	<b><u>4,521</u></b>	<b><u>50,654</u></b>	<b><u>487,302</u></b>
<b>EXPENDITURES</b>				
Basic Instruction	205,090	4,521	-	209,611
Other Instruction	2,195	-	-	2,195
Instructional Staff Training Services	2,136	-	-	2,136
School Administration	146,500	-	-	146,500
Facilities Acquisition & Construction	16,967	-	-	16,967
Fiscal Services	3,906	-	-	3,906
Food Services	1,987	-	-	1,987
Information Services	275	-	-	275
Pupil Transportation Services	12,874	-	-	12,874
Operation of Plant	34,475	-	-	34,475
Maintenance of Plant	450	-	-	450
Debt Services	1,049	-	27,509	28,558
Community Services	<u>8,598</u>	<u>-</u>	<u>23,205</u>	<u>31,803</u>
<b>TOTAL EXPENDITURES</b>	<b><u>436,502</u></b>	<b><u>4,521</u></b>	<b><u>50,714</u></b>	<b><u>491,737</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>(4,376)</u></b>	<b><u>-</u></b>	<b><u>(60)</u></b>	<b><u>(4,435)</u></b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(4,376)</b>	<b>-</b>	<b>(60)</b>	<b>(4,435)</b>
<b>FUND BALANCE, Beginning</b>	<b><u>(5,279)</u></b>	<b><u>-</u></b>	<b><u>13,802</u></b>	<b><u>8,523</u></b>
<b>FUND BALANCE, Ending</b>	<b><u>\$ (9,655)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 13,742</u></b>	<b><u>\$ 4,088</u></b>

*See Accompanying Notes to the Basic Financial Statements*

**MICANOPY MIDDLE CHARTER SCHOOL, INC.  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010**

**Total net change in fund balances - governmental funds** \$ (4,435)

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.

Current Year Depreciation Expense (24,631)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. Amortization of Debt Issuance Costs (1,336)

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 23,205

**Change in net assets of governmental activities** \$ (7,197)

**MICANOPY MIDDLE SCHOOL, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 1 – DESCRIPTION OF REPORTING ENTITY**

**Reporting Entity**

Micanopy Middle School, Inc. is a not-for-profit corporation organized in 2001 pursuant to Chapter 617, Florida Statutes, the Florida Not-For-Profit Corporation Act, and Section 1002.33, Florida Statutes. The not-for-profit corporation conducts business as Micanopy Middle School, Inc. (the “School”). The governing body of the School is the not-for-profit corporation’s Board of Directors, which is composed of 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 addressed in section 1002.33(7), Florida Statutes, have been successfully accomplished. At the end of the term of the charter, the District may choose not to renew the charter under grounds specified in the charter, in which case the District is required to notify the School in writing at least 90 days prior to the charter’s expiration. Pursuant to Section 1002.33(8) (e), Florida Statutes, the charter school contract provides that in the event the school is dissolved or terminated, any unencumbered funds and all school property purchased with public funds automatically revert to the District. During the term of the charter, the District may also terminate the charter if good cause is shown. This School is considered a component unit of the District.

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

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

**Basis of Presentation**

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

**MICANOPY MIDDLE SCHOOL, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

**GOVERNMENTAL FUND TYPES**

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

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

**Special Revenue Fund** – 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 fund are all considered to be significant funds and we, therefore, separately presented.

**NON-CURRENT GOVERNMENTAL ASSETS/LIABILITIES**

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

Basis of Accounting

Basis of accounting refers to when revenues and expenditures, or expenses, are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide financial statements are prepared using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

Governmental fund financial statements are prepared using the modified accrual basis of accounting. Revenues, except for certain grant revenues, are recognized when they become 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. The District considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. The School is accounted for as a governmental organization and follow the same accounting model as the District's governmental activities.

**MICANOPY MIDDLE SCHOOL, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

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

Budgetary Basis of Accounting

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

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, 2010, deposits did not exceed FDIC insurance limits of \$250,000.

Long-term obligations

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities statement of net assets. Where applicable, debt issuance costs are deferred and amortized over the life of the debt using the straight-line amortization method.

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 THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**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 absences are recorded.

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.

Use of Estimates

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

**MICANOPY MIDDLE SCHOOL, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 3 – CAPITAL ASSETS**

The changes in capital asset are as follows:

	Balance <u>7/1/2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2010</u>
Land	\$ 73,866	\$ -	\$ -	\$ 73,866
Buildings	589,973	-	-	589,973
Improvements	39,016	-	-	39,016
Furniture, fixtures and equipment	<u>30,389</u>	<u>-</u>	<u>(7,105)</u>	<u>23,284</u>
	733,244	-	(7,105)	726,139
Accumulated depreciation	<u>(137,259)</u>	<u>(24,632)</u>	<u>7,105</u>	<u>(154,786)</u>
<b>Net Capital Asset</b>	<b><u>\$ 595,985</u></b>	<b><u>\$ (24,632)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 571,353</u></b>

Depreciation expense for the year ended June 30, 2010 totaled \$24,632.

**NOTE 4 – LONG-TERM LIABILITIES**

At year end, the School's long-term liability consist 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 point. 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 is as follows:

	Balance <u>July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>	Due Within <u>One Year</u>
Notes Payable	<u>\$ 385,368</u>	<u>\$ -</u>	<u>\$ 23,205</u>	<u>\$ 362,163</u>	<u>\$ 25,312</u>

Future long-term debt obligation is provided below:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 25,312	\$ 25,402	\$ 50,714
2012	27,209	23,505	50,714
2013	29,248	21,465	50,713
2014	31,441	19,273	50,714
2015	33,798	16,915	50,713
Thereafter	<u>215,155</u>	<u>2,578</u>	<u>217,733</u>
Total	<b><u>\$ 362,163</u></b>	<b><u>\$ 109,138</u></b>	<b><u>\$ 471,301</u></b>

**MICANOPY MIDDLE SCHOOL, INC.**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2010**

**NOTE 5 – RISK MANAGEMENT PROGRAMS**

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

**NOTE 6 – CONTINGENCIES AND CONCENTRATIONS**

The School receives approximately 98% of its revenues from the District. These funds are subject to audit by the District and the State of Florida, the purpose of which is to ensure compliance with conditions precedent to funding. Any liabilities for reimbursement that may arise as a result of these audits are not reflected in the financial statements.

**NOTE 7 – BUDGETARY COMPARISON SCHEDULE**

The budgetary information on the following page is presented as part of the required supplementary information as mandated by GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

**MICANOPY CHARTER SCHOOL, INC.**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL – MAJOR FUNDS**  
**(Required Supplementary Information)**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	<u>GENERAL FUND</u>		<u>SPECIAL REVENUE FUND</u>	
	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>	<u>ORIGINAL BUDGET</u>	<u>ACTUAL</u>
<b>REVENUES</b>				
Title 1 Grant	\$ -	\$ -	\$ 4,521	\$ 4,521
State Source FTE	419,862	419,862	-	-
Gifts, Grants & Bequests	7,451	9,490	-	-
Interest Income	-	3	-	-
Miscellaneous Income	<u>2,773</u>	<u>2,773</u>	<u>-</u>	<u>-</u>
<b>TOTAL REVENUES</b>	<b><u>430,086</u></b>	<b><u>432,128</u></b>	<b><u>4,521</u></b>	<b><u>4,521</u></b>
<b>EXPENDITURES</b>				
Basic Instruction	204,868	205,091	4,521	4,521
Other Instruction	2,195	2,195	-	-
Instructional Staff Training Services	2,040	2,136	-	-
School Administration	144,204	146,499	-	-
Facilities Acquisition & Construction	16,974	16,968	-	-
Fiscal Services	4,306	3,906	-	-
Food Services	1,566	1,987	-	-
Information Services	275	275	-	-
Pupil Transportation Services	12,386	12,873	-	-
Operation of Plant	33,277	34,476	-	-
Maintenance of Plant	450	450	-	-
Community Services	143	8,598	-	-
Debt Services	<u>-</u>	<u>1,049</u>	<u>-</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<b><u>422,684</u></b>	<b><u>436,503</u></b>	<b><u>4,521</u></b>	<b><u>4,521</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ 7,402</u></b>	<b><u>\$ (4,375)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

**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 audited the financial statements of the governmental activities and each major fund, Micanopy Middle School, Inc. (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 1, 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 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

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.

*Harvey Lorington J. Thomas, C.P.A.*

Hollywood, Florida  
September 1, 2010

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

September 1, 2010

To the Board of Directors  
Micanopy Middle School, Inc.

We have audited the financial statements of Micanopy Middle School, Inc. (the School) as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated September 1, 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 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 1, 2010, 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 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 auditor's reports 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.
- Section 10.854(1)(e)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.
- Section 10.854(1)(e)4., Rules of the Auditor General, requires that we address 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.

➤ 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; and,
- (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 School met the condition described in Section 218.503(1)(e), Florida Statutes. The School reported an unreserved fund balance deficit of \$9,655 as of June 30, 2010. The financial emergency condition met was *not* a result of deteriorating financial conditions.

➤ Pursuant to Sections 10.854(1)(e)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 management.

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, and 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, J. D. L.*

Hollywood, Florida  
September 1, 2010

**MICANOPY MIDDLE SCHOOL, INC.**  
**STATUS OF PRIOR YEAR FINDINGS AND RESPONSES**  
**JUNE 30, 2010**

Matter that is not repeated in the accompanying Schedule of Findings and Responses

- 09-ML-02 – Insured value of Building

**MICANOPY MIDDLE SCHOOL, INC.  
SCHEDULE OF CURRENT YEAR FINDINGS AND RESPONSES  
JUNE 30, 2010**

**There were no findings reported for the fiscal year ended June 30, 2010.**