

A decorative border of colored pencils surrounds the text. The pencils are arranged in a rectangular frame. The top row consists of a brown pencil, a green pencil, and a red pencil. The right side has a blue pencil and a yellow pencil. The bottom row has a brown pencil, a yellow pencil, and a blue pencil. The left side has a yellow pencil, a blue pencil, a red pencil, and a green pencil. In the bottom right corner, there is a light blue pencil holder containing several colored pencils.

Micanopy Area Cooperative
School, Inc.

Financial Statements
And
Independent Auditors' Report

June 30, 2011

KATTELL AND COMPANY, P.L.

A professional accounting firm serving the nonprofit community.

808-B NW 16th Avenue
Gainesville, Florida 32601

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FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORTS

JUNE 30, 2011

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, 2011, 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, 2011, 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 August 23, 2011 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.

August 23, 2011
Gainesville, Florida

Management's Discussion and Analysis

June 30, 2011

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, 2011. Please read it in conjunction with the School's financial statements, which follow this section.

The following are various financial highlights for fiscal year 2011:

- The School's overall net assets increased by approximately \$86,900, which is about 9%.
- Unrestricted net assets at June 30, 2011 was \$388,422.
- The School had total expenses for the year of about \$879,700, compared to revenues of approximately \$966,600.
- The School offers education to grades VPK through 5, and served approximately 134 and 135 students in the school years ending in 2011 and 2010, respectively.

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.

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.

Governmental funds are accounted for using modified accrual accounting. Modified accrual accounting focuses on available cash and other financial assets that can readily be converted to cash. This provides a shorter-term view of the 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.

Management's Discussion and Analysis
June 30, 2011
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.

	2011	2010
	Governmental	Governmental
	Activities	Activities
Net Assets		
Assets:		
Non-capital Assets	\$ 426,259	\$ 359,338
Capital Assets, Net	620,518	652,289
Total Assets	<u>1,046,777</u>	<u>1,011,627</u>
Liabilities:		
Current Liabilities	24,142	29,970
Noncurrent Liabilities	13,695	59,600
Total Liabilities	<u>37,837</u>	<u>89,570</u>
Net Assets:		
Invested in Capital Assets, Net of Related Debt	620,518	605,689
Unrestricted	388,422	316,368
Total Net Assets	<u>\$ 1,008,940</u>	<u>\$ 922,057</u>
Change in Net Assets		
Program Revenues:		
Charges for Services	\$ 63,193	\$ 59,280
Operating Grants	34,555	31,317
Capital Grants & Contributions	46,230	58,381
General Revenues:		
Title I Grant	48,693	40,420
Florida Education Finance Program	713,284	720,474
Other State Revenues	41,256	13,821
Unrestricted Grants & Contributions	17,402	25,277
Unrestricted Investment Earnings	1,956	2,722
Total Revenues	<u>966,569</u>	<u>951,692</u>
Program Expenses:		
Instruction	592,572	562,886
Instructional Support Services	5,241	3,877
General Support	281,592	290,535
Interest on Long-term Debt	281	6,031
Total Expenses	<u>879,686</u>	<u>863,329</u>
Change in Net Assets	86,883	88,363
Beginning Net Assets	922,057	833,694
Ending Net Assets	<u>\$ 1,008,940</u>	<u>\$ 922,057</u>

Management's Discussion and Analysis

June 30, 2011

Micanopy Area Cooperative School

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental Activities

The governmental activities generated \$143,978 in program revenues and \$822,591 of general revenues, and incurred \$879,686 of program expenses. This resulted in an \$86,883 increase in net assets. This change is essentially the same as that for the years ended June 30, 2010 and 2009, and represents a normal year for the School. The School's staff has engaged in prudent financial management to achieve such results for the last three years.

THE SCHOOL'S INDIVIDUAL FUNDS

General Fund

The fund balance of the General Fund has increased by \$32,617, from \$351,754 to \$384,371. This increase is less than 4% of total revenues for the year. The School is proud to have achieved an appropriate balance of fiscal responsibility while using available funds to enhance the education provided.

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 Projects Fund increased by \$40,132 from \$(22,386) to \$17,746. The increase in the Capital Projects Fund represents the Board of Directors decision to pay off the School's mortgage with General Revenue Funds rather than Capital Projects Funds.

BUDGETARY HIGHLIGHTS

General Fund. There were no significant differences between the original and final budgets. 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 paid off the note payable portion of its existing long-term debt. 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, 2011
Micanopy Area Cooperative School

	Governmental Activities
Assets	
Cash and Cash Equivalents	\$ 422,346
Other Assets	3,913
Capital Assets:	
Not Depreciable Capital Assets, Net	50,766
Depreciable Capital Assets, Net	569,752
Total Assets	1,046,777
Liabilities	
Accounts Payable	24,142
Long-Term Liabilities:	
Due Within One Year	5,478
Due in More Than One Year	8,217
Total Liabilities	37,837
Net Assets	
Invested in Capital Assets, Net of Related Debt	620,518
Unrestricted	388,422
Total Net Assets	\$ 1,008,940

See accompanying notes.

Statement of Activities
For the Year Ended June 30, 2011
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	\$ (592,572)	\$ 51,457	\$ --	\$ --	\$ (541,115)
Instructional Support Services	(5,241)	--	--	--	(5,241)
General Support	(281,592)	11,736	34,555	46,230	(189,071)
Interest on Long Term Debt	(281)	--	--	--	(281)
Total	<u>\$ (879,686)</u>	<u>\$ 63,193</u>	<u>\$ 34,555</u>	<u>\$ 46,230</u>	<u>(735,708)</u>

General Revenues:

Federal through State:	
Title I Grant	48,693
State Revenue:	
Florida Education Finance Program	713,284
Other State Revenues	41,256
Unrestricted Grants and Contributions	17,402
Unrestricted Investment Earnings	<u>1,956</u>
Total General Revenues	<u>822,591</u>
Change in Net Assets	<u>86,883</u>
Net Assets – Beginning of Year	<u>922,057</u>
Net Assets – End of Year	<u><u>\$ 1,008,940</u></u>

See accompanying notes.

Balance Sheet – Governmental Funds
June 30, 2011
Micanopy Area Cooperative School

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	\$ 404,600	\$ --	\$ 17,746	\$ 422,346
Other Assets	3,913	--	--	3,913
Total Assets	408,513	--	17,746	426,259
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	880	--	--	880
Salaries Payable	23,262	--	--	23,262
Total Liabilities	24,142	--	--	24,142
Fund Balances:				
Restricted for Capital Outlays	--	--	17,746	17,746
Unassigned	384,371	--	--	384,371
Total Fund Balances	384,371	--	17,746	402,117
Total Liabilities and Fund Balances	\$ 408,513	\$ --	\$ 17,746	\$ 426,259

See accompanying notes.

**Reconciliation of the Balance Sheet to the Statement of Net Assets -
Governmental Funds**

June 30, 2011

Micanopy Area Cooperative School

Fund Balances – Total Governmental Funds	\$ 402,117
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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	620,518
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Long-term liabilities are not reported in the governmental funds

Compensated Absences	<u>(13,695)</u>
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Net Assets of Governmental Activities	<u>\$ 1,008,940</u>
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See accompanying notes.

**Statement of Revenues, Expenditures and Changes in Fund Balances -
Governmental Funds
For the Year Ended June 30, 2011
Micanopy Area Cooperative School**

	General Fund	Special Revenue Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Federal through State:				
Title I Grant	\$ --	\$ 48,693	\$ --	\$ 48,693
National School Lunch	34,555	--	--	34,555
State Revenue:				
Florida Education Finance Program	713,284	--	--	713,284
Public Education Capital Outlay	--	--	46,230	46,230
Voluntary Prekindergarten	39,765	--	--	39,765
Other State Revenues	41,256	--	--	41,256
Local Revenue:				
Meal Service Revenue	11,736	--	--	11,736
Gifts and Grants	10,635	--	--	10,635
Other Local Revenues	20,415	--	--	20,415
Total Revenues	871,646	48,693	46,230	966,569
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	541,031	45,274	--	586,305
Instructional Support Services	1,822	3,419	--	5,241
General Support	249,295	--	--	249,295
Capital Outlay	--	--	6,098	6,098
Debt Service:				
Principal	46,600	--	--	46,600
Interest	281	--	--	281
Total Expenditures	839,029	48,693	6,098	893,820
Excess of Revenues Over/(Under) Expenditures	32,617	--	40,132	72,749
Fund Balances, July 1, 2010	351,754	--	(22,386)	329,368
Fund Balances, June 30, 2011	\$ 384,371	\$ --	\$ 17,746	\$ 402,117

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, 2011
Micanopy Area Cooperative School**

Excess of Revenues over Expenditures – Total Governmental Funds \$ 72,749

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	8,045
Current Year Depreciation Expense	(39,816)

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

Principal Payments	46,600
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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>(695)</u>
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Change in Net Assets of Governmental Activities \$ 86,883

See accompanying notes.

Notes to the Financial Statements

June 30, 2011

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, 2011

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 Title I 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, 2011

Micanopy Area Cooperative School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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

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 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 will 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. 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, 2011

Micanopy Area Cooperative School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fund Balance Classifications

Governmental funds report separate classifications of fund balance.

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

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

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

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

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

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

Notes to the Financial Statements

June 30, 2011

Micanopy Area Cooperative School

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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, 2011 was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
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	1,450	--	118,155
Furniture, Fixtures & Equipment	74,924	6,595	2,363	79,157
Total Capital Assets	<u>872,508</u>	<u>8,045</u>	<u>2,363</u>	<u>878,191</u>
Accumulated Depreciation:				
Buildings:	132,379	21,049	--	153,428
Improvements other than Buildings	49,786	8,526	--	58,312
Furniture, Fixtures & Equipment	38,054	10,241	2,363	45,933
Total Accumulated Depreciation	<u>220,219</u>	<u>39,816</u>	<u>2,363</u>	<u>257,673</u>
Net Capital Assets	<u>\$ 652,289</u>	<u>\$ 31,771</u>	<u>\$ --</u>	<u>\$ 620,518</u>

Depreciation was charged to functions/programs as follows:

Instructional Support	\$ 7,022
General Support	<u>32,794</u>
Total	<u>\$ 39,816</u>

NOTE 3 – RISK MANAGEMENT

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

Notes to the Financial Statements
June 30, 2011
Micanopy Area Cooperative School

NOTE 4 – LONG-TERM LIABILITIES

A summary of changes in long-term liabilities follows:

	Balance July 1, 2010	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2011	Amount Due <u>In 1 Year</u>
Notes Payable	\$ 46,600	\$ --	\$ 46,600	\$ --	\$ --
Compensated Absences	13,000	695	--	13,695	5,478
Total	<u>\$ 59,600</u>	<u>\$ 695</u>	<u>\$ 46,600</u>	<u>\$ 13,695</u>	<u>\$ 5,478</u>

The School financed the construction of a classroom addition with an agreement with a financial institution for \$145,000 and an interest rate of 6.45%. The loan was satisfied in July 2010.

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 \$31,000 and \$31,800 for the years ending June 30, 2011 and 2010, respectively. The employer matches employee contributions up to five percent of each eligible employee's gross pay for the contract year. Employer contributions were approximately \$10,800 and \$11,500 for the years ending June 30, 2011 and 2010, respectively. The Board of Directors has the authority to amend or terminate the plan, although it has not expressed intention to do so.

Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2011
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	\$ 26,400	\$ 34,555	\$ 34,555	\$ --
State Revenue:				
Florida Education Finance Program	705,194	713,284	713,284	--
Voluntary Prekindergarten	35,000	39,765	39,765	--
Other State Revenues	67,495	41,256	41,256	--
Local Revenue:				
Meal Service Revenue	17,600	11,736	11,736	--
Gifts and Grants	--	10,635	10,635	--
Other Local Revenue	--	20,415	20,415	--
Total Revenues	<u>851,689</u>	<u>871,646</u>	<u>871,646</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	\$ 522,383	541,031	541,031	--
Instructional Support Services	2,107	1,822	1,822	--
General Support	241,817	249,295	249,295	--
Debt Service:				
Principal	46,881	46,600	46,600	--
Interest	--	281	281	--
Total Expenditures	<u>813,188</u>	<u>839,029</u>	<u>839,029</u>	<u>--</u>
Excess of Revenues Over (Under)Expenditures	38,501	32,617	32,617	--
Fund Balances, July 1, 2010	<u>--</u>	<u>351,754</u>	<u>351,754</u>	<u>--</u>
Fund Balances, June 30, 2011	<u>\$ --</u>	<u>\$ 384,371</u>	<u>\$ 384,371</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, 2011
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	\$ 58,570	\$ 48,693	\$ 48,693	\$ --
Total Revenues	<u>58,570</u>	<u>48,693</u>	<u>48,693</u>	<u>--</u>
Expenditures and Changes in Fund Balances				
Expenditures:				
Current:				
Instructional	48,057	45,274	45,274	--
Instructional Support Services	10,513	3,419	3,419	--
Total Expenditures	<u>58,570</u>	<u>48,693</u>	<u>48,693</u>	<u>--</u>
Excess of Revenues Over (Under)Expenditures	--	--	--	--
Fund Balances, July 1, 2010	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances, June 30, 2011	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</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.

Kattell and Company, P.L.

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COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

August 23, 2011

To the Board of Directors
Micanopy Area Cooperative School

We have audited the financial statements of Micanopy Area Cooperative School (the School) for the year ended June 30, 2011, and have issued our report thereon dated August 23, 2011. 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 26, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Qualitative Aspects of Accounting Practices

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

Accounting Estimates. Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. 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 School's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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

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

Very truly yours,

Kattell and Company, P.L.

Gainesville, Florida

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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, 2011, and have issued our report thereon dated August 23, 2011.

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. In that regard, 11-1 and 11-2 address matters similar to findings 10-1 and 10-2 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.

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.

August 23, 2011
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, 2011, which collectively comprise the School's basic financial statements and have issued our report thereon dated August 23, 2011. 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

Management of the School is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit, we considered the School's 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, described in the accompanying Schedule of Findings as Findings 11-01, 11-02, and 11-04, that we consider to be significant deficiencies in internal control. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* and which is described in the Schedule of Findings as Finding 11-03.

* * * * *

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.

August 23, 2011
Gainesville, Florida

Schedule of Findings
June 30, 2011
Micanopy Area Cooperative School

11-01 *Finding* – As a result of our auditing procedures, we recommended six adjusting journal entries. When posted to the accounting records, these entries decreased net assets by \$17,692. 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 should consider whether similar adjustments should be made by the School.

11-02 *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. Generally, the individual responsible for maintaining records of amounts receivable should not have access to the cash.

Recommendation – The School should review its procedures for billing, collection and deposit of receipts and reaffirm whether or not current procedures represent an acceptable level of risk.

11-03 *Finding* – The School issued gift cards as a bonus to employees. However, these amounts were not reported as taxable income to the employees.

Recommendation – The School should review IRS Publication 525, *Taxable and Nontaxable Income* and make efforts to ensure that all taxable income is properly reported to the IRS.

11-04 *Finding* – The School charged unallowable expenditures to the Capital Projects Fund. In addition, certain allowable expenditures were not charged to the Capital Projects Fund. It should be noted that the financial statements for the Capital Projects Fund for the year ended June 30, 2011 have been adjusted to reflect only allowable costs.

Recommendation – The School should review the guidelines regarding allowable costs of Capital Projects Funds and ensure that only allowable costs are charged against it.



Micanopy Area Cooperative School

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Director
Anne Thomson

August 23, 2011

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 2010 – 2011 school year, I have noted the suggestions made for improvement and will take the necessary steps to improve our processes.

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 suggestions 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”