

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

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YEAR ENDED JUNE 30, 2014**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Directors
South McKeel Academy, Inc.
A Charter School and Component Unit of the District
School Board of Polk County, Florida
Lakeland, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of South McKeel Academy, Inc., a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of South McKeel Academy, Inc. as of June 30, 2014, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison schedules on pages 3 and 29 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 15, 2014, on our consideration of South McKeel Academy, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering South McKeel Academy, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Lakeland, Florida
September 15, 2014

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Management of South McKeel Academy, Inc. (the School) offers the following narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2014. Readers are encouraged to use this information in conjunction with information furnished in the School's financial statements. This summary should not be taken as a replacement for the audit, which consists of the basic financial statements and other supplemental information.

FINANCIAL HIGHLIGHTS

- The School ended fiscal year 2014 with net position of \$1,676,995.
- For the fiscal year ended June 30, 2014, the School's revenues exceeded expenses by \$33,118, which is an increase from the prior year when expenses exceeded revenues by \$287,780. A strategic decision was made by the board to spend some of their reserve funds during the prior year. The majority was expended on technology and resurfacing the playground.
- The School general fund balance remained strong and ended fiscal year 2014 with \$1,275,032.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the understanding of the financial condition of School.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the School's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status as a whole.

The two government-wide statements report the School's net position and the current year changes. Net position is the difference between the School's total assets and total liabilities. Measuring net position is one way to evaluate the School's financial condition.

The government-wide statements present functions of the School that are principally supported by intergovernmental revenues. The governmental activities of the School are for public education. The government-wide statements can be found immediately following this Management's Discussion & Analysis.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. All of the operations of the School are presented in governmental funds only.

Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. The School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting*. This method also has a current financial resources focus. As a result, the governmental fund financial statements provide a detailed short-term view of the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The fiduciary fund statement provides information about the financial relationship in which the School acts solely as an agent for the benefit of others. The School is the fiduciary for assets that belong to others, such as the school internal funds. The School is responsible for ensuring that the assets reported in these school internal funds are used only for the intended purposes and by those for whom the assets are contributed. The School excludes these activities from the Statement of Net Position because it cannot use these funds to finance its operations.

The School adopts an annual budget for its General Fund, as required by the Florida Statutes. The budget is a legally adopted by management of the School and its Board. Budgetary comparison schedules have been included as part of the required supplementary information. The budgetary comparison schedule shows four columns: 1) the original budget as adopted by the board 2) the final budget as amended by the board; 3) the actual resources and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

Notes to Financial Statements

The notes to financial statements provide additional information essential to the full understanding of the information reported in the government-wide and fund financial statements. The notes to the financial statements start on page 16 of this report.

Other Reports

This report also includes the Independent Auditors' Report on Internal Controls Over Financial Reporting and On Compliance and Other Matters Required by *Government Auditing Standards*, as well as the management letter required by the Rules of the Auditor General, Chapter 10.850, *Audits of Charter Schools and Similar Entities*.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

GOVERNMENT-WIDE ANALYSIS OF THE SCHOOL

Net position

The School's combined net position as of June 30, 2014 and 2013 are summarized as follows:

	<u>Governmental Activities</u>		<u>Increase</u>
	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Current and Other Assets	\$ 1,964,255	\$ 1,818,019	\$ 146,236
Capital Assets, Net	393,704	377,557	16,147
 Total Assets	 2,357,959	 2,195,576	 162,383
 Current and Other Liabilities	 550,406	 478,107	 72,299
Long-Term Liabilities	130,558	73,592	56,966
 Total Liabilities	 680,964	 551,699	 129,265
 Net Position:			
Net Investment in Capital Assets	342,648	377,557	(34,909)
Unrestricted	1,334,347	1,266,320	68,027
 Total Net Position	 \$ 1,676,995	 \$ 1,643,877	 \$ 33,118

Current and other liabilities increased due to timing of payments for accounts payable. Deferred revenue of \$62,500 was recorded in the current year related to our grant award from the Department of Education. Long-term liabilities consist of compensated absences.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

Change in Net position

The School's total revenues exceeded total expenses by \$33,118 in fiscal 2014 (see table below):

	<u>2014</u>	<u>2013</u>	<u>(Decrease)</u>
Revenues:			
State and Local Sources	\$ 7,290,520	\$ 6,969,347	\$ 321,173
Federal Sources Passed through Local School District	233,772	258,659	(24,887)
Charges for Services	764,086	778,469	(14,383)
Contributions and Other Revenue	<u>594,239</u>	<u>374,595</u>	<u>219,644</u>
Total Revenues	<u>8,882,617</u>	<u>8,381,070</u>	<u>501,547</u>
Expenses:			
Instruction	4,890,100	4,738,098	152,002
School Administration	1,057,843	1,151,505	(93,662)
Operation of Plant+A82	1,742,191	1,601,449	140,742
Food Services	403,601	382,485	21,116
Pupil Transportation Services	421,738	449,479	(27,741)
Board	27,018	20,913	6,105
Community Services	43,431	69,189	(25,758)
Pupil Personnel Services	112,575	89,571	23,004
Instructional Media Services	24,255	22,896	1,359
General Administration	25,916	25,298	618
Instructional Staff Training	72,570	48,045	24,525
Technical Services	25,670	69,922	(44,252)
Interest	<u>2,591</u>	<u>-</u>	<u>2,591</u>
Total Expenses	<u>8,849,499</u>	<u>8,668,850</u>	<u>180,649</u>
Change in Net Position	<u>\$ 33,118</u>	<u>\$ (287,780)</u>	<u>\$ 320,898</u>

Revenue for State and Local sources increased approximately 5% from 2013 to 2014. Federal revenue decreased primarily due to the National School Meal Reimbursement funds awarded during fiscal year 2013. The increase state and local sources is due to an overall increase in state allocated funding. Charges for services represent food service and after school programs. The School experienced overall increases in instruction and school administration due to an increase personnel salaries and related benefits. Depreciation expense across all functions was \$78,893.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

The focus of School's governmental funds is to provide information on near term inflows, outflows, and balances of usable resources. This information is useful in assessing the School's financial requirements. Specifically, unrestricted fund balance is a useful measure of a government's net resources available for spending at the end of the fiscal year.

As the School completed the year, its governmental funds reported a combined fund balance of \$1,440,123.

General Fund Budgetary Highlights

The School's budget is prepared by management and approved by the Board. Each quarter a detailed financial report is presented to the Board with recommended amendments to the initial budget. Corresponding explanations accompany amendments material in nature as determined by the Board.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2014, the School had invested approximately \$786,761 in capital assets.

	Governmental Activities		Increase (Decrease)
	2014	2013	
Leasehold Improvements	\$ 375,571	\$ 358,181	\$ 17,390
Furniture, Fixtures and Equipment	401,407	323,758	77,649
Accumulated Depreciation	(383,274)	(304,382)	(78,892)
Capital Assets, Net	<u>\$ 393,704</u>	<u>\$ 377,557</u>	<u>\$ 16,147</u>

More detailed information about the School's capital assets is presented in Note 3 to the financial statements.

Long-Term Debt

As of June 30, 2014, the School has a \$51,056 capital lease obligation for equipment. For more detailed information about the School's long-term liability, see Note 12 in the financial statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Budget Highlights for the Fiscal Year Ended June 30, 2015

Amounts available for appropriation in the general fund are approximately \$8.8 million, which is slightly above with the actual 2013 amount based on legislative changes.

Budgeted expenditures are expected to increase slightly to approximately \$8.6 million for fiscal 2014.

If these estimates are realized, the School's general fund balance is expected to slightly increase.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide interested parties with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. Should additional information be required, please contact the School's administrative offices at 303 E. Peachtree Street, Lakeland, Florida, 33801.

BASIC FINANCIAL STATEMENTS

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**STATEMENT OF NET POSITION
JUNE 30, 2014**

	<u>Governmental Activities</u>
ASSETS	
Cash and Cash Equivalents	\$ 1,411,675
Certificates of Deposit	310,248
Accounts Receivable	128,178
Other Assets	114,154
Capital Assets:	
Leasehold Improvements	375,571
Furniture, Fixtures and Equipment	401,407
Less: Accumulated Depreciation	<u>(383,274)</u>
Total Capital Assets, Net	<u>393,704</u>
 Total Assets	 <u><u>\$ 2,357,959</u></u>
LIABILITIES AND NET POSITION	
Liabilities:	
Accounts Payable	\$ 71,510
Accrued Expenses	382,985
Unearned Revenue	69,637
Long-Term Liabilities:	
Portion Due or Payable within One Year:	
Compensated Absences	15,866
Capital Lease Obligations	10,408
Portion Due or Payable after One Year:	
Compensated Absences	89,910
Capital Lease Obligations	<u>40,648</u>
Total Liabilities	<u>680,964</u>
 Net Position:	
Net Investment in Capital Assets	342,648
Unrestricted	<u>1,334,347</u>
Total Net Position	<u>1,676,995</u>
 Total Liabilities and Net Position	 <u><u>\$ 2,357,959</u></u>

See accompanying Notes to Basic Financial Statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

	Expenses	Program Specific Revenues			Net Revenues (Expenses) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction	\$ 4,890,100	\$ 404,155	\$ 79,795	\$ -	\$ (4,406,150)
Operation of Plant	1,742,191	-	-	501,013	(1,241,178)
School Administration	1,057,843	-	-	-	(1,057,843)
Food Services	403,601	270,866	153,977	-	21,242
Pupil Transportation Services	421,738	-	-	-	(421,738)
Pupil Personnel Services	112,575	-	-	-	(112,575)
Instructional Staff Training	72,570	-	-	-	(72,570)
Community Services	43,431	89,065	-	-	45,634
Board	27,018	-	-	-	(27,018)
General Administration	25,916	-	-	-	(25,916)
Technical Services	25,670	-	-	-	(25,670)
Instructional Media Services	24,255	-	-	-	(24,255)
Interest	2,591	-	-	-	(2,591)
 Total Primary Government	 \$ 8,849,499	 \$ 764,086	 \$ 233,772	 \$ 501,013	 (7,350,628)
General Revenues:					
State and Local Sources					7,290,520
Contributions and Other Revenue					93,226
Total General Revenues					7,383,746
Changes in Net Position					33,118
Net Position at Beginning of Year					1,643,877
Net Position at End of Year					\$ 1,676,995

See accompanying Notes to Basic Financial Statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2014**

	General Fund	Non Major Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 1,411,675	\$ -	\$ 1,411,675
Certificates of Deposit	310,248	-	310,248
Accounts Receivable	128,178	-	128,178
Other Assets	114,154	-	114,154
Due From General Fund	-	165,091	165,091
Total Assets	<u>\$ 1,964,255</u>	<u>\$ 165,091</u>	<u>\$ 2,129,346</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 71,510	\$ -	\$ 71,510
Accrued Expenses	382,985	-	382,985
Unearned Revenue	69,637	-	69,637
Due to Other Governmental Funds	165,091	-	165,091
Total Liabilities	<u>689,223</u>	<u>-</u>	<u>689,223</u>
Fund Balances:			
Nonspendable:			
Prepaid Expenses	114,154	-	114,154
Assigned:			
Food Service	-	165,091	165,091
Spendable:			
Unassigned	<u>1,160,878</u>	<u>-</u>	<u>1,160,878</u>
Total Fund Balances	<u>1,275,032</u>	<u>165,091</u>	<u>1,440,123</u>
Total Liabilities and Fund Balances	<u>\$ 1,964,255</u>	<u>\$ 165,091</u>	<u>\$ 2,129,346</u>

See accompanying Notes to Basic Financial Statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014**

Total Fund Balance - Governmental Funds	\$ 1,440,123
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds. The cost of the capital assets is \$776,978 and the accumulated depreciation is \$383,274.	393,704
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Long-term liabilities, including capital leases obligations, are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Long-term liabilities at the end of the period consist of:	
Capital Lease Obligations	(51,056)

Amount accrued for compensated absences are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds.	<u>(105,776)</u>
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Total Net Postion - Governmental Activities	<u><u>\$ 1,676,995</u></u>
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See accompanying Notes to Basic Financial Statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014**

	General Fund	Non Major Funds	Total Governmental Funds
REVENUES			
State and Local Sources	\$ 7,290,520	\$ 501,013	\$ 7,791,533
Federal Sources Passed through Local School District	-	233,772	233,772
Charges for Services	493,220	270,866	764,086
Contributions and Other Revenue	93,226	-	93,226
Total Revenues	<u>7,876,966</u>	<u>1,005,651</u>	<u>8,882,617</u>
EXPENDITURES			
Current:			
Instruction	4,725,940	79,795	4,805,735
Operation of Plant	1,239,615	501,013	1,740,628
School Administration	1,053,003	-	1,053,003
Pupil Transportation Services	421,738	-	421,738
Food Services	-	397,233	397,233
Pupil Personnel Services	112,575	-	112,575
Technical Services	25,670	-	25,670
Community Services	43,431	-	43,431
Instructional Staff Training	72,570	-	72,570
General Administration	25,916	-	25,916
Instructional Media Services	23,301	-	23,301
Board	27,018	-	27,018
Debt Service			
Principal	-	8,399	8,399
Interest	-	2,591	2,591
Capital Outlay	95,040	-	95,040
Total Expenditures	<u>7,865,817</u>	<u>989,031</u>	<u>8,854,848</u>
Excess of Revenues Over Expenditures	11,149	16,620	27,769
OTHER FINANCING SOURCES (USES)			
Proceeds of long term debt	59,455	-	59,455
Transfers In	-	10,990	10,990
Transfers Out	(10,990)	-	(10,990)
Total Other Financing Sources	<u>48,465</u>	<u>10,990</u>	<u>59,455</u>
Net Changes in Fund Balances	59,614	27,610	87,224
Fund Balances at Beginning of Year	<u>1,215,418</u>	<u>137,481</u>	<u>1,352,899</u>
Fund Balances at End of Year	<u>\$ 1,275,032</u>	<u>\$ 165,091</u>	<u>\$ 1,440,123</u>

See accompanying Notes to Basic Financial Statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2014**

Net Changes in Fund Balances - Total Governmental Funds	\$ 87,224
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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 allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (\$95,040) exceeds depreciation expense (\$78,893) in the current period.	16,147
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Compensated absences included in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(19,197)
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Proceeds on long term debt is an other financing source in the governmental funds, but the additions increase long-term liabilities in the statement of net position.	(59,455)
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Principal payments on long-term debt are expenditures in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position.	<u>8,399</u>
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Change in Net Position of Governmental Activities	<u>\$ 33,118</u>
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See accompanying Notes to Basic Financial Statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND – SCHOOL INTERNAL FUNDS
JUNE 30, 2014**

ASSETS

Cash	\$ 194,156
Beneficial Interest in Assets Held by Others	<u>12,910</u>
Total Assets	<u><u>\$ 207,066</u></u>

LIABILITIES

Due to Others	<u>\$ 207,066</u>
Total Liabilities	<u><u>\$ 207,066</u></u>

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

South McKeel Academy, Inc. (the School) is a not-for-profit corporation organized pursuant to Chapter 617, Florida Statutes, the Florida Not For Profit Corporation Act and Section 1002.22, Florida Statutes. The governing body of the School is the not-for-profit corporation Board of Directors, which is composed of nine 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 District School Board of Polk County Florida, (the School Board). The School is considered a component unit of the School Board and meets the definition of a governmental entity under the Governmental Accounting Standards Board (GASB). The School has no component unit of its own.

Charter Contract

The current charter under audit expires June 30, 2021 and may be renewed for a maximum of an additional 15 years by mutual written agreement between the School and the School Board. However, the School Board may terminate the current charter at any time if good cause is shown. In the event of termination of the charter, any property purchased by the School with public funds and any unencumbered public funds revert back to the School Board.

Basis of Presentation

Based on the guidance provided in the American Institute of Certified Public Accountants Audit and Accounting Guide – *Audits for States and Local Governments* and provisions in the Florida Statutes, the School is presented as a governmental organization for financial statement reporting purposes.

Government-Wide Financial Statements

The government-wide financial statements provide both short-term and long-term information about the School in a manner similar to those of a private-sector business. The statement of net position and statement of activities are designed to provide financial information as a whole about the School on an accrual basis of accounting. The statement of net position provides information about the School's financial position, its assets and liabilities, using an economic resources measurement focus. The statement of net position reports all non-fiduciary financial and capital resources and obligations of the School. The difference between assets and liabilities is reported as the net position.

The statement of activities presents a comparison between direct expenses and program revenue for each function or program of the School's governmental activities. Direct expenses are those that are specifically associated with a program or function, therefore, are clearly identifiable to a particular function.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Government-Wide Financial Statements (Continued)

Program revenues include charges paid by the recipient of goods and services offered by the program and grants and contributions restricted for meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues.

Separate fund financial statements are provided for governmental and fiduciary funds. Since by definition, fiduciary fund assets are being held for the benefit of a third party and cannot be used for activities or obligations of the District, these funds are excluded from the Government-wide statements.

Fund Financial Statements

The governmental fund financial statements report detailed information about the School's most significant funds, not the School as a whole. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance related requirements. Certain funds are established by law while others are created by grant agreements. The following are individual governmental funds reported in the fund financial statements:

- General Fund – is the School's primary operating fund accounting for all financial resources of the school, except those required to be accounted for in another fund.
- Capital Projects Fund – to account for all resources for the acquisition of capital items by the School purchased with capital outlay funds.
- Special Revenue Funds – to account for the proceeds of specific revenue sources and federal grants that are restricted by law or administrative action to expenditure for specific purposes.
 - IDEA Fund – to account for the federal resources received and expenditures administered under the Individuals with Disabilities Education Act.
 - Food Service Fund – to account for the revenue received under the Food Services program.
- Debt Service Fund – to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related cost.
- Agency Fund – School Internal Funds – to account for the resources held for others.

For the purpose of these statements, the general fund is considered a major fund. The special revenue, debt service and capital projects funds are non-major funds and are combined and reported in other governmental funds.

SOUTH MCKEEL ACADEMY, INC.

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**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Measurement Focus and Basis of Accounting

Basis of accounting refers to when revenues and expenses/expenditures are recognized 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 and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses/expenditures are recognized when a liability is incurred.

Governmental fund financial statements are reported using the modified accrual basis of accounting. Under this method, revenues, except for certain grant revenues, are recognized when they become measurable and available. Revenues are considered to be available when they are collectable within a current period. The School considers revenues to be available if they are collected within 60 days after the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized when due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisition of capital leases are reported as other financing sources.

Budgetary Basis Accounting

Budgets are prepared using the modified accrual basis of accounting and the governing board must approve all budgets and amendments. During the fiscal year, expenditures were controlled at the object level. Budgets may be amended by resolution of the Board prior to the date of the annual report.

Cash and Cash Equivalents

The School's cash and cash equivalents consist primarily of demand deposits with financial institutions.

The School maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The School has not experienced any losses in such accounts.

Interfund Receivables and Payables

Activities between the funds are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as due to/from other funds. The general fund has a recorded total liability of \$165,091 which are related to amounts due to other governmental funds.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Capital Assets and Depreciation

The School's capital assets with useful lives of more than one year are stated at historical costs and reported in the statement of net position in the government-wide financial statements. Donated capital assets are recorded at their estimated fair value on the date of donated. The School capitalizes assets with a cost of \$750 or more. Expenditures of normal maintenance and repair that do not add to the assets value or extend the useful live are not capitalized. Depreciation is computed using the straight-line method. Estimated useful lives of the assets are as follows:

	<u>Years</u>
Buildings and Improvements	10 – 40
Furniture, Fixtures and Equipment	3 – 10
Vehicles	7

Information related to the change in capital assets is described in Note 3.

Compensated Absences

Compensated absences (i.e. paid absences for employee vacation leave and sick leave) are recorded as an expenditure in the governmental funds when leave is used or when accrued as payable to employees entitled to cash payment in lieu of taking leave. In the government-wide financial statements, compensated absences are recorded as an expense when earned by the employee.

Net Position and Fund Balance Classifications

Government-Wide Financial statements

Net position is classified and reported in three components:

- Net investment in capital assets – consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of any borrowings attributed to the acquisition or improvement of those assets.
- Restricted net position – consists of net position with constraints placed on their use either by external groups such as creditors, grantors, contributors or laws or regulations of other governments. As of June 30, 2014, the School had no restricted net position.
- Unrestricted net position – all other net position not meeting the definition of "restricted" or "invested in capital assets, net of related debt."

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Fund Financial Statements

GASB Codification Section 1800.142, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances a governmental entity must use for financial reporting purposes. GASB requires the fund balance amounts to be reported within one of the following fund balance categories:

- Nonspendable – fund balance associated with inventories, prepaid expenses, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned). All nonspendable fund balances at year-end relate to assets that are in non spendable form.
- Restricted – fund balance that can be spent only for the specific purposes stipulated by the constitution, external resource providers, or through enabling legislation.
- Committed – fund balance that can be used only for the specific purposes determined by a formal action of the School's Board of Governance.
- Assigned – fund balance that is intended to be used by the School's management for specific purposes but does not meet the criteria to be classified as restricted or committed.
- Unassigned – fund balance that is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

This statement also clarifies the special revenue fund may be used to account for the proceeds of specific revenue sources (other than trusts for individual, private organizations or other governmental agencies or for major capital projects) legally restricted to expenditures for specified purposes or where committed for specific purposes.

Order of Fund Balance Spending Policy

The School's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year. First nonspendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including nonspendable amounts). Then any remaining fund balance amounts for the non-general funds are classified as restricted fund balance. It is possible for the non-general funds to be classified as restricted fund balance. It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Revenue Sources

Revenues for operations are provided primarily from the District School Board of Polk County, Florida pursuant to the funding provisions included in the School's charter. In accordance with the funding provisions of the Charter and Section 1002.33, Florida Statutes, the School is considered a high-performing charter school and reports the number of full-time equivalents (FTE) students and related data to the School District. The School Board receives a 2% administrative fee from the School, which is withheld from the respective Florida Education Finance Program (FEFP) payments. The administrative expense is reflected as a general administrative expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances – governmental funds. The administrative fee is calculated on the FEFP revenue up to 500 students. The difference between the actual expense and the expense calculated on total FEFP revenue is restricted for capital outlay expenditures. As of June 30, 2014, amounts in excess of 500 students were applied to current year capital outlay expenditures and therefore, no amounts are restricted at year-end.

Under provisions of Section 1011.62, Florida Statutes, the District reports the number of FTE students and related data to the Florida Department of Education (FDOE) for funding through the FEFP. Funding for the School is adjusted during the year to reflect the revised calculations by the FDOE under FEFP and the actual weighted full-time equivalent students reported by the School during the designated full-time equivalent student survey period.

The FDOE may also adjust subsequent fiscal period allocations based on an audit of the School's compliance in determining and reporting FTE and related data. Generally, such adjustments are treated as reduction or additions of revenues in the year when the adjustments are made.

The basic amount of funding through the FEFP under Section 1011.62 is calculated based on (1) unweighted FTE, multiplied by (2) the cost factor for each program multiplied by (3) the base student allocation established by the Florida legislature. Additional funds for exceptional students who do not have a matrix of services are provided through the guaranteed allocation designated in Section 1011.62(1)(e)2., Florida Statutes. For the year ended June 30, 2014, the School reported 1162.49 unweighted FTE.

The School receives state funds through the District under charter school capital outlay funding pursuant to Section 1013.62, Florida Statutes and amounts received are based on the School's enrollment during the fiscal year. Funds received under this program are restricted to capital outlay expenditures, as detailed in the Florida statutes. The School received additional funding under other federal and state grants. This assistance is generally received based on applications submitted to various granting agencies. For federal and state grants in which funding is awarded based on incurring eligible expenditures, revenue is recognized as the amount of eligible expenditures have been incurred.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

**NOTE 1 ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(CONTINUED)**

Use of Estimates

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses/expenditures for the period presented. Actual results could differ significantly from those estimates.

Interfund Transfers

For the year ended June 30, 2014, the general fund transferred \$10,990 to the debt service fund for the current year debt service payments.

NOTE 2 CASH AND CASH EQUIVALENTS

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the School will not be able to recover the value of its deposits that are in the possession of the an outside party. The School does not have a deposit policy for custodial credit risk.

As of June 30, 2014, the School's book balance of cash was \$1,916,079 and the bank balance \$1,955,221. Banks qualified as public depositories under Florida law hold cash deposits. Cash deposits are insured by Federal depository insurance and collateralized with securities held in Florida's multiple financial institution collateral pool as required by Chapter 280, Florida Statutes. The School considers as cash and cash equivalents those accounts used as demand deposit accounts, all highly liquid investments with an original maturity of three months or less.

NOTE 3 CAPITAL ASSETS

Capital assets as of June 30, 2014 were as follows:

	Beginning Balance	Increases	Ending Balance
Governmental Activities:			
Leasehold Improvements	\$ 358,181	\$ 17,390	\$ 375,571
Furniture, Fixtures and Equipment	323,757	77,650	401,407
Total Capital Assets	681,938	95,040	776,978
Less Accumulated Depreciation for:			
Buildings and Improvements	(88,499)	(22,984)	(111,483)
Furniture, Fixtures and Equipment	(215,882)	(55,909)	(271,791)
Total Accumulated Depreciation	(304,381)	(78,893)	(383,274)
Governmental Activities Capital Assets, Net	\$ 377,557	\$ 16,147	\$ 393,704

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 3 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction	\$ 65,168
Food Services	6,368
School Administration	4,840
Operation of Plant	1,563
Instructional Media Services	954
Total Governmental Activities Depreciation Expense	<u>\$ 78,893</u>

NOTE 4 SCHEDULE OF STATE AND LOCAL REVENUE SOURCES

The following is a schedule of state and local revenue sources:

District School Board of Polk County, Florida:

Florida Education Finance Program	\$ 5,301,254
Class Size Reduction	1,322,655
Supplemental Academic Instruction	272,022
Instructional Materials	90,189
Discretionary Lottery Funds	<u>11,112</u>
Total FEFP Revenue	6,997,232

Capital Outlay	501,013
Transportation	261,846
Title III Funds	<u>31,442</u>
Total State and Local Revenues	<u>\$ 7,791,533</u>

The administrative fee paid to the School Board during the year ended June 30, 2014 totaled \$25,916, which is reflected as a general administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds.

NOTE 5 RISK MANAGEMENT PROGRAM

Workers' compensation coverage, health and hospitalization, general liability, professional liability and property coverage are being provided through purchased commercial insurance with minimum deductibles for each line of coverage. Settled claims resulting from these risks have not historically exceeded commercial coverage.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 6 OPERATING LEASE COMMITMENTS

The School has entered into various lease agreements for a the school building and copier equipment. These leases are accounted for as operating leases and are generally for a term from four to 20 years and include renewal options. The following identifies the purpose and term of these operating leases:

- The school building is leased through two separate operating lease agreements. Both of the lease agreements have a 20 year term, with renewal options. The total of the annual lease operating lease payments was \$1,089,005 for the year ended June 30, 2014.
- Four copiers are leased under terms ranging from four to five years with current year operating lease payments of \$30,696.

The following schedule reflects the operating lease obligations for the terms of the leases:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 1,238,665
2016	1,225,518
2017	1,217,238
2018	1,209,874
2019	1,209,874
2020-2024	6,049,370
2025-2029	6,049,370
2030-2031	288,656
Total Minimum Payments Required	<u>\$ 18,488,565</u>

NOTE 7 COMMITMENTS AND CONTINGENT LIABILITIES

Grants

The School participates in state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Cost charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the School has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable as year-end may be impaired. Management of the School believes there are no significant contingent liabilities related to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Legal Matters

In the normal course of conducting its operations, the School occasionally becomes party to various legal actions and proceedings. Management believes the ultimate resolution of such legal matters will not have a significant adverse effect on the accompanying financial statements.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 8 RELATED PARTY TRANSACTIONS

The School receives all pupil transportation services from McKeel Academy of Technology in exchange for transportation funds received by the state.

During fiscal year 2014, McKeel Academy of Technology charged the School \$421,738 for transportation services, which is reflected as a pupil transportation services expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds.

During fiscal year 2014, McKeel Academy of Technology charged the School \$469,378 for administrative, fiscal and accounting services, services which is reflected as a school administration expense/expenditure in the accompanying statement of activities and statement of revenues, expenditures and changes in fund balances of governmental funds. These fees were charged to the School by McKeel Academy of Technology based on the student population.

NOTE 9 RETIREMENT PROGRAM

The Florida Retirement System (FRS) covers all regular employees of the School. The FRS offers employees a defined benefit retirement plan and a defined contribution program. The School is required to make contributions in accordance with rates established by the Florida Legislature. Essentially, all regular employees of participating employers are eligible and must enroll as members of FRS.

Most employees working for the School are covered by a state-administered cost-sharing multiple-employer defined benefit retirement plan (Plan) under FRS. Plan provisions are established by Chapters 121 and 112, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and Florida Retirement System Rules, Chapter 60S, Florida Administrative Code, wherein Plan eligibility, contributions, and benefits are defined and described in detail. Benefits in the defined benefit plan vest at specific ages or number of years of services depending upon the employee's classification. The Plan also includes an early retirement provision but imposes a penalty for each year a member retires before the specified retirement age. The Plan provides retirement, disability, and death benefits and annual cost-of-living adjustments, as well as supplements for health-care insurance and, for certain employees, a supplement to cover social security benefits lost by virtue of retirement system membership.

A Deferred Retirement Option Program (DROP), subject to provisions of Section 121.091, Florida Statutes, is offered to employees of the School. DROP permits employees, eligible for normal retirement under the Plan, to defer receipt of monthly benefit payments while continuing employment with a FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The School had two DROP participants during fiscal year 2014.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 9 RETIREMENT PROGRAM (CONTINUED)

Defined Contribution Plan

The Public Employee Optional Retirement Program (PEORP) is administered by FRS as an option to the defined benefit plan. It is self-directed by the employee, as such, the employees would have the responsibility of selecting how their funds are invested within the approved set of investment choices and may take their funds when they leave FRS. Employer contributions are defined by law, but the ultimate benefit depends in part of the performance of the investment funds. The PEORP is funded by employer contributions that are based on salary and membership class (Regular Class, Special Risk Class, Etc.). The School had no PEORP participants during fiscal year 2014.

Funding Policy

The Contribution rates for Plan members are established and may be amended, by the State of Florida. During fiscal year 2014, contribution rates were as follows:

Class or Plan	Percentage of Gross Salary	
	Employee	Employer (A)
Florida Retirement System, Regular	3%	6.95%
Florida Retirement System, Reemployed Retiree	(B)	(B)

(A) Employer rate includes 1.11% for the post-employment health insurance supplement and 0.03% for administrative cost of the Public Employee Optional Retirement Program

(B) Contribution rates are dependent upon the retirement class in which reemployed.

The School's liability to the defined benefit plan and the defined contribution plan is limited to the payment of the required contribution at the rates and frequencies established by law on future payrolls of the School. The School's contributions to the defined benefit plan for the fiscal year ended June 30, 2014, 2013 and 2012 totaled approximately \$289,000, \$291,000 and \$265,000, respectively.

Pension Reporting

The financial statements and required supplemental information of the FRS are included in the comprehensive annual financial report of the State of Florida which may be obtained by contacting the Florida State Chief Financial Officer's Office in Tallahassee, Florida. Also, an annual report of FRS that includes its financial statements, required supplemental information, actuarial report, and other relevant information may be obtained from the State of Florida, Division of Retirement, in Tallahassee, Florida.

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 10 INCOME TAXES

The School qualifies as a tax-exempt organization under Internal Revenue Code Section 501(c)(3), and is therefore, exempt from income taxes. Accordingly, no tax provision has been made in the accompanying financial statements. Additionally, no uncertain tax positions have been made requiring disclosure in the related notes to the financial statements. The School's income tax returns for the past three years are subject to examination by tax authorities, and may change upon examination.

NOTE 11 ACCRUED COMPENSATED ABSENCES

The School permits employees to accumulate earned but unused leave, which will be paid to the employee upon separation from the School if they meet certain criteria. These benefits plus the related taxes are classified as compensated absences on the Statement of Net Position.

The following table summarizes the compensated absences activity for the fiscal year 2014.

Compensated Absences	
Beginning Balance	\$ 86,579
Additions	45,747
Reductions	(26,550)
Ending Balance	<u>\$ 105,776</u>
Due within one year	\$ 15,866
Due within more than one year	89,910
Total Compensated Absences	<u>\$ 105,776</u>

NOTE 12 CAPITAL LEASE OBLIGATION

The School leases equipment under a capital lease with a capitalized cost of \$59,455 for June 30, 2014. Accumulated depreciation in the statement of financial position included \$7,078 for June 30, 2014, relating to this equipment. Depreciation expense reported in the statement of activities includes \$7,078 for June 30, 2014, for the equipment under capital lease. The following table is a schedule by years of future minimum lease payments required under the capital lease obligation.

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 13,188
2016	13,188
2017	13,188
2018	13,188
2019	5,495
Total Minimum Payments Required	58,247
Less Interest	(7,191)
Present Value of Minimum Payments	<u>\$ 51,056</u>

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

**NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2014**

NOTE 12 CAPITAL LEASE OBLIGATION (CONTINUED)

	<u>June 30, 2013</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2014</u>
Equipment Capital Lease	<u>\$ -</u>	<u>\$ 59,455</u>	<u>\$ (8,399)</u>	<u>\$ 51,056</u>

REQUIRED SUPPLEMENTAL INFORMATION

SOUTH MCKEEL ACADEMY, INC.

**A Charter School and Component Unit of the
District School Board of Polk County, Florida**

REQUIRED SUPPLEMENTAL INFORMATION

**BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2014**

	Budgeted Amounts		Actual	Variance
	Original	Final		
REVENUES				
State and Local Sources	\$ 7,279,296	\$ 7,290,520	\$ 7,290,520	\$ -
Charges for Services	495,500	493,220	493,220	-
Contributions and Other Revenue	-	93,226	93,226	-
Total Revenues	7,774,796	7,876,966	7,876,966	-
EXPENDITURES				
Current:				
Instruction	4,573,775	4,725,940	4,725,940	-
Operation of Plant	1,626,471	1,239,615	1,239,615	-
School Administration	900,451	1,053,003	1,053,003	-
Pupil Transportation Services	431,249	421,738	421,738	-
Pupil Personnel Services	112,334	112,575	112,575	-
Technical Services	159,355	25,670	25,670	-
Community Services	66,430	43,431	43,431	-
Instructional Staff Training	53,400	72,570	72,570	-
General Administration	-	25,916	25,916	-
Instructional Media Services	22,075	23,301	23,301	-
Board	214,047	27,018	27,018	-
Capital Outlay	-	104,823	95,040	9,783
Total Expenditures	8,159,587	7,875,600	7,865,817	9,783
Excess (Deficit) of Revenues Over Expenditures Over	(384,791)	1,366	11,149	(9,783)
OTHER FINANCING SOURCES (USES)				
Proceeds of long term debt	-	69,238	59,455	(9,783)
Transfers Out	-	(10,990)	(10,990)	-
Total Other Financing Uses	-	58,248	48,465	(9,783)
Net Change in Fund Balance	(384,791)	59,614	59,614	-
Fund Balances at Beginning of Year	1,727,603	1,215,418	1,215,418	-
Fund Balances at End of Year	\$ 1,342,812	\$ 1,275,032	\$ 1,275,032	\$ -

OTHER REQUIRED REPORT

**INDEPENDENT AUDITORS' 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***

Board of Directors
South McKeel Academy, Inc.
A Charter School and Component Unit of the District
School Board of Polk County, Florida
Lakeland, Florida

We have audited, in accordance with the 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, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of South McKeel Academy, Inc., a charter school and component unit of the District School Board of Polk County, Florida, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise South McKeel Academy, Inc.'s basic financial statements, and have issued our report thereon dated September 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered South McKeel Academy, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of South McKeel Academy, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of South McKeel Academy, Inc.'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. 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.

Our consideration of 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 material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
South McKeel Academy, Inc.
A Charter School and Component Unit of the District
School Board of Polk County, Florida

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South McKeel Academy, Inc.'s financial statements are free from 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 the following instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

2014-001: Board Policy

The School adopted a conflict of interest policy regarding the employment and compensation of parties related to members of the board. During our audit procedures, we discovered that a spouse of a member of the board was compensated during the year as a substitute teacher. We noted no vote or approval by the board to allow an exception to their policy. We recommend that the Board revisit any related party transactions and make sure all potential conflicts have been approved by the Board. In addition, we recommend that all related party transactions be disclosed by board members on the annual conflict of interest statement.

South McKeel Academy, Inc.'s Response to Findings

South McKeel Academy, Inc.'s response to the finding identified in our audit is described in the accompanying Management Response letter on page 34. South McKeel Academy, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Lakeland, FL
September 15, 2014

**ADDITIONAL INFORMATION REQUIRED BY RULES OF THE FLORIDA
AUDITOR GENERAL, CHAPTER 10.850, *AUDITS OF CHARTER SCHOOLS
AND SIMILAR ENTITIES***

**MANAGEMENT LETTER AS REQUIRED BY RULES OF THE FLORIDA AUDITOR
GENERAL, CHAPTER 10.850, FLORIDA STATUTES, *CHARTER SCHOOL AUDITS***

Board of Directors
South McKeel Academy, Inc.
A Charter School and Component Unit of the District
School Board of Polk County, Florida
Lakeland, Florida

Report on the Financial Statements

We have audited the financial statements of South McKeel Academy, Inc., a charter school and component unit of the District School Board of Polk County, Florida, as of and for the fiscal year ended June 30, 2014, and have issued our report thereon dated September 15, 2014.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reporting Required by Government Auditing Standards

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*. Disclosures in those reports and schedule, which are dated September 15, 2014, should be considered in conjunction with this management letter.

Prior Audit Findings

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.

Prior Years Findings		Current Year Status			
		Cleared	Partially Cleared	Not Cleared	Reference
2013-01 - Prior Period Misstatements	Material Weakness	X			
2012-02 - Board Training	Compliance Finding	X			
2013-02 - Budget Management	Compliance Finding	X			

Board of Directors
South McKeel Academy, Inc.
A Charter School and Component Unit of the District
School Board of Polk County, Florida

Financial Condition

Section 10.854(1)(e)2. and 10.855(11), Rules of the Auditor General, require that we apply appropriate procedures to determine whether or not South McKeel Academy, Inc. 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 South McKeel Academy, Inc. did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.854(1)(e)4. and 10.855(12), Rules of the Auditor General, require that we apply financial condition assessment procedures for South McKeel Academy, Inc.. It is management's responsibility to monitor South McKeel Academy, Inc.'s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Transparency

Sections 10.854(1)(e)7. and 10.855(13), Rules of the Auditor General, require that we apply appropriate procedures to determine whether South McKeel Academy, Inc. maintains on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes. In connection with our audit, we determined that South McKeel Academy, Inc. maintained on its Web site the information specified in Section 1002.33(9)(p), Florida Statutes.

Other Matters

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 noncompliance with provisions of contracts 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 which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.854(1)(e)5, Rules of the Auditor General, requires the name or official title of the entity. The official title of the entity is South McKeel Academy, Inc..

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, and applicable management and is not intended to be and should not be used by anyone other than these specified parties.



CliftonLarsonAllen LLP

Lakeland, Florida
September 15, 2014

Board of Directors
South McKeel Academy, Inc.
A Charter School and Component Unit of the District
School Board of Polk County, Florida

MANAGEMENT RESPONSE

2014-001: Board Policy

The Board reviewed the conflict of interest disclosures and voted to acknowledge and approve the disclosures as presented in the August 26, 2014 meeting. The disclosure forms were revised and updated to more thoroughly describe potential conflicts. Violations of our policy are not expected to be an issue going forward.